EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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D 8523A

PAKISTAN
Bhutto down but not out
Page 14

World News

Bundesbank urges Kohl to impose curbs on spending

The Bundesbank is calling on Bonn to agree rigorous spending curbs next year to free resources for restructuring the east German economy and limit sharply rising public borrowing. Page 16

Border treaty agreed
Poland and Germany agreed on a draft treaty guaranteeing Poland's post-war borders. But a German statement issued after two days of negotiations in Warsaw said a timetable had yet to be fixed.

Triumph for Hawke
Australian prime minister Bob Hawke achieved a personal triumph when most of his plans for constitutional and structural reform were approved in principle by leaders of the eight state and territory governments. Page 4

Israel jails officer
An Israel military court jailed a lieutenant for two months and demoted him to sergeant for his role in the beating of an Arab who later died. Palestinians barred, Page 4

Gas well explodes
At least four workers were killed and a fifth is presumed dead after a gas well exploded in flames while it was being capped in marshes south of New Orleans on the Gulf of Mexico.

Townships warning
South African police, reacting to the murder in Soweto of an elderly New Zealander, warned tourists not to enter black townships unaccompanied.

Tunisia arrests
Tunisia's Islamic movement said police had detained dozens of Islamic militants overnight in the suburbs of Tunis, part of a round-up which began last Friday.

Bhutto tries again
Sacked Pakistan prime minister Benazir Bhutto launched a last-ditch effort from Karachi to try to form a government in her home province of Sind.

Libya expels PLF
Libyan leader Muammer Gadaffi has expelled the Palestinian Liberation Front, led by Abu Abbas, which threatened to attack US interests because of the Gulf crisis. The PLF said it was "shocked".

Militias to quit
Seven warring Lebanese militias, bowing to Syrian military pressure, have now agreed to withdraw from battle-scarred Beirut after 15 years of civil war.

Banker dismissed
Nicaraguan President Violeta Chamorro has sacked Central Bank president Francisco Mayorga, architect of the government's free market economic plan.

Istanbul bombs
A series of bomb blasts rocked Istanbul, injuring two people and causing damage. The outlawed leftwing group Dev-Sol claimed responsibility.

US office for Hanoi
The US is to set up an office in Vietnam to deal with the question of missing American servicemen, Hanoi said. It will be its first permanent presence in a state it still regards as an enemy.

Nuclear protest
Local leaders in the Soviet far north protested to President Mikhail Gorbachev against a nuclear test last week on the Arctic archipelago of Novaya Zemlya.

German spy charge
An unidentified 65-year-old Cologne book salesman has been charged in Karlsruhe with spying for the former communist government of East Germany.

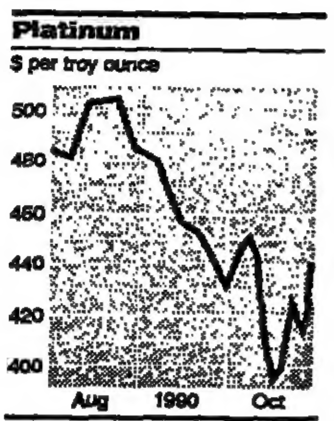
Business Summary

France cuts quarter point from interest rates

The Bank of France has lowered its main money market rates by a quarter of a percentage point, catching markets by surprise. Its main intervention rate dropped to 9.25 per cent, while its repurchase rate fell to 10.0 per cent. Page 16

MARKETS: Platinum was fixed at the highest level for three weeks on London bullion market at $440.50 a troy ounce.

Platinum
$ per troy ounce



Wall Street: At mid-session, Dow Jones Industrial Average was 2.48 lower at 2,445.54. Tokyo: On continuing low volume of 425m shares, Nikkei closed at 25,194.10, down a net 48.30. Frankfurt: The DAX closed 2.68 higher at 1,433.82. Commodities, Page 28; Markets, Back Page, Section II

GENERAL Motors announced larger-than-expected $2.1bn third quarter write-off for restructuring costs, including closing of four plants. GM had operating earnings of $109m in third quarter, but special after-tax charge led to net loss of $2bn. Page 17

ELECTRICITY: Consortium of west German and European electricity companies is to be formed before year-end to begin DM25bn ($16.5bn) to DM30bn task of modernising east Germany's power supply network. Page 3

MARINE Midland Bank, New York-based subsidiary of Hongkong and Shanghai Banking Corporation, reported huge increase in third quarter net losses to $111.5m. Page 17

EASTMAN Kodak: Ruling that Eastman Kodak must pay Polaroid $909.5m for patent infringement left photographic, drugs, chemicals and information group with third quarter loss of $206m. Page 19

MARKS and Spencer, UK retailing group, continued to defy high street trading conditions with a 10 per cent increase in interim pre-tax profits. Page 17; Lex, Page 16

PLASTIC cards have been introduced in Czechoslovakia with Zivnostenska Bank of Prague issuing its first Visa cards to Czech and Slovak citizens. Page 22

HONG Kong has begun to rationalise satellite and cable television broadcasting by announcing licence arrangements in favour of Hutchison Whampoa group. Page 4

US COPYRIGHT industries have warned Thai government they will file a trade complaint unless authorities act against pirating of books, records, tapes, videos and computer software. Page 5

BARCLAYS, UK's largest clearing bank, has unveiled a new corporate structure. Page 17; Lex, Page 16

KENYA'S gross domestic product growth for 1990 is expected to be between 0.5 and 1 percentage point less than the forecast 5 per cent as a result of higher oil prices. Page 4

DAISHOWA Paper, Japanese paper and pulp maker whose chairman paid $160.6m for a Renoir and a Van Gogh, said high interest rates were to blame for a Y7.1bn ($56.9m) pre-tax loss. Page 20

Confidence vote in the Dail sets bar flies buzzing

By Kieran Cooke in Dublin

THERE IS the last furlong at the Derby. The final bend on the Cresta run, the last set at Wimbledon. But for sheer electric excitement, there are few places to beat the Dail bar during a government crisis.

Through yesterday it became clear that either Mr Brian Lenihan, the former deputy prime minister, had to resign or Irish Prime Minister Mr Charles Haughey's government would fall and Ireland would be heading for its sixth general election in ten years.

Mr Lenihan refused Mr Haughey's request to resign, and in the end, the Irish prime minister decided to sack his longtime friend and Fianna Fail loyalist. Minutes before Mr Haughey's announcement that he was sacking Mr Lenihan, the former deputy prime minister entered the crowded Dail bar.

There were cheers from Fianna Fail loyalists. There were tears from many who had spent much of the day in emotional discussion. Mr Lenihan's family was there. Mr Lenihan said that he would be continuing in the race for the presidency. I do this with great sadness and sorrow" said Mr Haughey. "Mr Lenihan, said Mr Haughey was "a loyal colleague with whom I have served for a quarter of a century."

While Mr Lenihan's sacking has averted a general election, it raises questions about the political future of Mr Haughey.

He narrowly won the crucial vote of confidence by 83 to 80 just 15 minutes after the sacking.

Before the dramatic developments, the bar was awash with speculation and rumour. A minister entered with a conspiratorial air. A journalist, hungry for information but decidedly not thirsty, was pulled into a corner.

Continued on page 16

Mr Charles Haughey, the Irish Prime Minister, in order to save his government and prevent another general election, last night sacked Mr Brian Lenihan, the Deputy Prime Minister, Minister of Defence and candidate for Mr Haughey's Fianna Fail Party in a presidential election.

The second of two Fianna Fail parliamentary sessions held earlier today authorised Mr Haughey to take whatever action he felt neccessary to end the threat to his government.

It also halted the distinguished career of – up to last week, at any rate – one of Ireland's most popular politicians.

After the meeting, Mr Haughey formally requested Mr Lenihan's resignation and, when it was refused, he told his colleague he was sacked.

Bush puts pressure on Saddam with warning on hostages

By Lionel Barber in Washington, Max Rodenbeck in Cairo and Lamis Andoni in Baghdad

THE Bush administration yesterday sharply escalated pressure on Iraq, signalling a renewed effort to convince President Saddam Hussein that failure to withdraw from Kuwait could lead to war.

US President George Bush described Iraqi treatment of American hostages as brutal and accused Baghdad of starving the American embassy in Kuwait.

"I've had it with that kind of treatment of Americans," he said.

Senior US officials said the administration intended to step up pressure against Mr Saddam in coming weeks.

Tactics would include explicit threats of force, the possible deployment of tens of thousands of more US troops in Saudi Arabia and further sanctions at the United Nations, where the US will chair the Security Council for the next month.

Mr James Baker, US secretary of state, leaves on Saturday for a seven-day tour of the Middle East and Europe which will form part of the co-ordinated move towards a more offensive military and diplomatic posture.

"We want Saddam to know that we are not going to let him off the hook," said an administration official.

Mr Douglas Hurd, Britain's foreign secretary, yesterday echoed the tougher sentiment, warning Mr Saddam that war could not be discounted.

He said the pressures of diplomatic isolation and sanctions might not prove enough to force Iraq to withdraw from Kuwait. "The third pressure, the certainty that the international coalition is prepared to use force, is the most potent," Mr Hurd told the Royal Institute of International Affairs in London last night.

The toughening stance on Iraq came as President Hosni Mubarak of Egypt rejected as unworkable a Soviet proposal for an Arab initiative to solve the Gulf crisis.

Mr Mubarak, speaking to journalists in Cairo, dismissed suggestions made on Monday by Soviet President Mikhail Gorbachev that an "inter-Arab" meeting could provide the basis for a peaceful resolution to the crisis.

"If we are to call for an Arab summit in the absence of a vision, such a summit will be one of insults," Mr Mubarak said. "We reject summits of insults."

Mr Roland Dumas, the French foreign minister, was similarly pessimistic about any Arab initiative.

He told the national assembly that it could only work if there were a consensus among Arab states, which presently did not exist.

Washington's newly aggressive tone is partly aimed at Mr Saddam, but also at the American public. Officials remain concerned about the need to prepare public opinion for a possible conflict.

Bagdhad has responded to the toughened hardened US tone by placing its forces on high alert.

Mr Latif Jassim, the information minister, said yesterday that "war can break out at any time... we have been receiving signals from the US that it was preparing for war".

However, Mr Yevgeny Primakov, the special Soviet envoy who has twice held talks with Mr Saddam in Bagdhad, said yesterday that the Iraqi leader was growing more open to a political solution to the crisis.

"It seems to me that now he (Saddam) is more disposed to political solution," Mr Primakov told Soviet television after returning from the second of two visits to Iraq in less than a month.

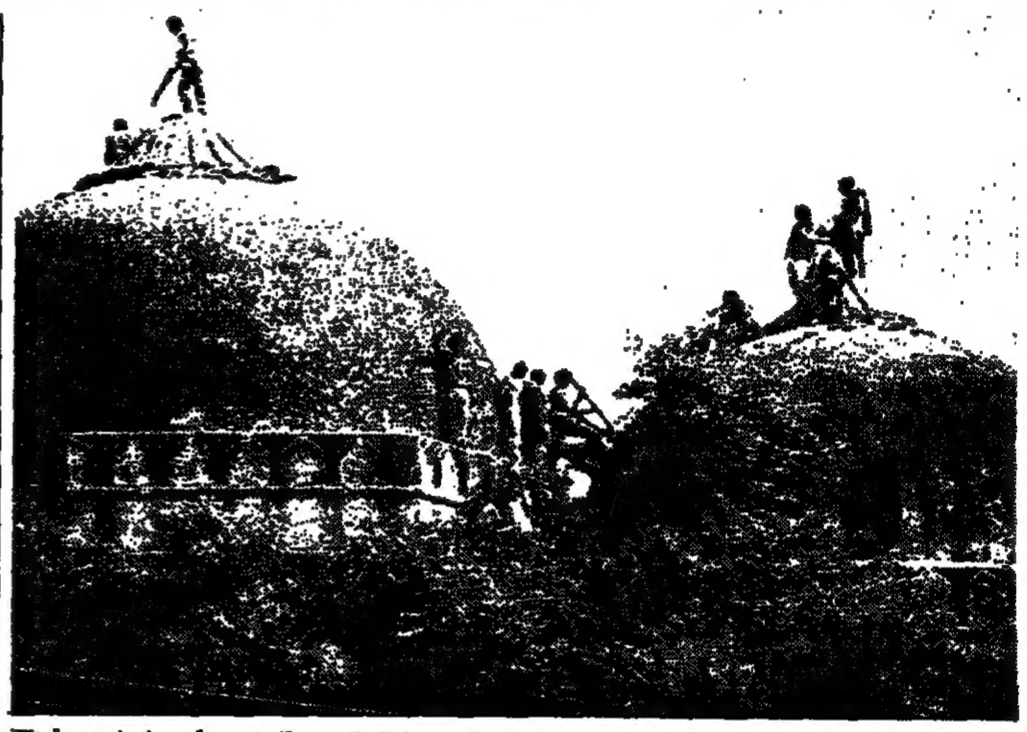
"I think there are some shifts on this issue," he said, adding that he had detected a difference in Mr Saddam's position during his latest meeting on October 28 from his first set of talks on October 5.

Mr Bush, speaking in Virginia, conceded that sanctions had not been as effective as hoped because Iraqi forces still occupied Kuwait.

But he said the harsh anti-Baghdad rhetoric should not be read as a sign that force was the only way to resolve the crisis.

Mr Mohamed Sadiq al-Mashat, Iraq's ambassador in Washington, called a news conference to declare that Iraq wanted to avoid bloodshed and establish good relations with the US.

He produced a copy of a memo which he said confirmed that the US, through the CIA, sought to undermine Iraq before the invasion of Kuwait. Baker prepares to put pressure on Saddam, Page 4



Hindu protesters damage the roof of the ancient Babri mosque at Ayodhya which they claim was built on a sacred Hindu site

Hindu-Moslem clashes kill more than 30 in India

By K.K. Sharma in New Delhi

MORE THAN 30 people were killed yesterday in clashes between Hindus and Moslems throughout India as violence continued after the storming of a mosque by militant Hindus in Ayodhya, northern India, on Tuesday.

Curfews were imposed in a large number of towns which were heavily patrolled by paramilitary and police forces. The army was also placed on alert in some areas.

The storming of the mosque in Uttar Pradesh raised fears of widespread Hindu-Moslem rioting and concerns about the government's commitment to protecting India's 110m Moslem minority.

In Uttar Pradesh, 11 deaths were reported despite a curfew in more than 15 towns in the state. Shoot-on-sight orders were passed in Indore town in Madhya Pradesh in central India, and in the state of Gujarat in the west and Karnataka and Andhra in the south.

Troops were called out in Ahmedabad, capital of Gujarat, where communal violence has led to more than 34 deaths in the past two days.

Vishwa Hindu Parishad (VHP), the militant organisation spearheading the movement for building a temple to the god Ram at Ayodhya, expressed its determination to proceed with its plans.

The communal situation is bound to cloud Indian politics further. Mr V.P. Singh, India's prime minister, is under pressure from dissidents in his Janata Dal party to resign before he faces a confidence vote in parliament on November 7.

Mr Singh has written to the Janata Dal president, Mr S.M. Bommai, offering to resign if this was required by the party. The offer has not yet been accepted and it is expected it will be considered when the presidium of the ruling National Front, of which the Janata Dal is the main constituent, meets tomorrow.

Violence is a milestone in India's history, Page 16

Reuters postpones new dealing system, announces 300 layoffs

By Andrew Bolger in London

REUTERS Holdings, the financial information and news agency, yesterday announced 300 redundancies, two-thirds of them in the UK, and the postponement of phase two of its automated trading system for foreign exchange, Dealing 2000.

About 200 jobs will be lost in Reuters' London headquarters, 50 will go in the US, a few in Asia and the rest in Europe, the Middle East and Africa.

Most of the jobs will be cut from central corporate departments, covering administration, finance and marketing, with one in three being at executive level. As many as eight journalists will lose their jobs, all of them in London.

Reuters shares closed 44p lower at 563p – less than half their peak level of 1,314p, reached on July 16.

Mr Glen Renfrew, managing director, said new orders for Reuters' services had remained substantial "though below last year's levels, with no significant change in the past three months".

Reuters managing director, Glen Renfrew: orders down

Reuters was postponing the launch of its automated trading system for foreign exchange for at least six months, pending the introduction of additional operational safeguards requested by client banks. It is not now expected to produce revenue until the second half of next year.

Phase two of Dealing 2000 allows bids and offers for currency to be matched automatically by central computers. The safeguards being asked for by the banks were planned originally for implementation six months after the launch of the phase two product.

They include protection against broken trades by means of automated duplicate messages to users. These advise, first, that a match is in progress and then, within a few seconds, that the deal is confirmed.

This is virtually identical, says the company, to confirmation procedures in use with phase one of Dealing 2000, which operates on the basis of negotiated deals, rather than automated trading.

Mr Renfrew said the delay on Dealing 2000, phase two, would not affect Globex, the automated trading project for futures markets being developed.

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A nation determined to improve its image and play a new role

President Carlos Menem's decision in September to send two warships to the Gulf was symbolic of Argentina's determination to seek a new role in international politics.
Page 8

MARKETS

STERLING
New York lunchtime:
$1.946
London:
$1.944 (1.948)
DM2.945 (2.9575)
FFr9.865 (9.9)
SFr2.5 (2.51)
Y252.5 (251.5)
£ index 94.5 (94.8)

GOLD
New York: Comex Dec
$381.3 (381.7)
London:
$379.25 (375.0)

N SEA OIL (Argus)
Brent 15-day Dec
$34.05 (34.75)

Chief price changes yesterday: Page 11

DOLLAR
New York lunchtime:
DM1.51565
FFr5.077
SFr1.284
Y129.7
London:
DM1.5155 (1.5185)
FFr5.075 (5.0825)
SFr1.2865 (1.289)
Y129.95 (129.1)
$ index 60.9 (61.0)
Tokyo close: Y129.35

US lunchtime rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills:
yield: 7.31%
Long Bond:
$99\frac{3}{16}$
yield: 8.81%

STOCK INDICES
FT-SE 100:
2,050.3 (+16.4)
FT Ordinary:
1,592.9 (+17.6)
FT-A All-Share:
992.67 (+0.7%)
New York lunchtime:
DJ Ind. Av.
2,453.47 (+5.46)
S&P Comp
304.97 (+0.91)
Tokyo: Nikkei
25,194.1 (−48.3)

LONDON MONEY
3-month Interbank:
closing $13\frac{1}{2}$% ($13\frac{17}{32}$)
Liffe long gilt future:
Dec $84\frac{29}{32}$ ($84\frac{1}{4}$)

EUROPEAN NEWS

Romanian efforts on private sector prove disappointing

By Ariane Genillard in Bucharest

ATTEMPTS by the Romanian government to stimulate the fledgling private business sector are proving disappointing, according to the newly-established Agency for Privatisation.

Despite a decision by the Romanian parliament allowing private businesses to employ more than 20, more than half of the 70,000 small enterprises which have registered since April employ fewer than ten. One in five is a family business.

The agency concludes that most enterprises consist of small-scale retail operations which require little initial capital investment and offer quick financial returns.

These businesses include snack bars, boutiques selling knitwear, and taxi and household services.

The poor public response to the privatisation law is worrying the government which believes the private sector is the only realistic alternative to the stultified and highly centralised state economic structure.

Although the government has tried to make capital available for new business, so far little money has been requested.

According to the Romanian Commercial Bank and the Romanian Bank for Investment, which together supply all credits other than agricultural ones, loans granted since April total just 600m lei ($29m) for the whole country. Investment in production lines represents only 20 per cent of the loans granted.

Companies face the difficulty of providing between 50 and 120 per cent collateral on government loans.

While the current rate of interest is an attractive 4 per cent, no one expects it to last because of mounting inflationary pressures.

● The Romanian authorities expect criticism from the public when many prices more than double from today, writes **Judy Dempsey.**

The increases are part of the government's reform package aimed at lifting subsidies, bringing consumer prices into line with producer costs and overcoming shortages.

Basic foods such as meat will not be affected, and the country's pensioners and the less well-off will be compensated.

Bulgaria fears drastic winter shortages

By Judy Dempsey

BULGARIANS are facing one of the most serious winters since the Second World War, as industrial output falls, shortages increase and power cuts become a daily occurence.

People are queueing at petrol stations for 24 hours, food from the countryside is not reaching the shops and lifts in high rise blocks of flats are subject to electricity cuts several times a day.

"We had six power cuts on Tuesday," said a journalist in Sofia. "The economic crisis is getting worse and worse," one economist said, adding that the country is in desperate need of medical supplies, food and oil.

The sharp deterioration stems from several factors including Soviet cutbacks in energy supplies, the Gulf crisis and the rapid expansion of the black market.

To compound matters, the reluctance of the opposition Union of Democratic Forces to back a reform programme drawn up by Mr Andrei Lukanov, the prime minister, has led to a paralysis in taking decisions to cope with the shortages.

Bulgaria was due this year to receive 12.6m tons of oil from the Soviet Union, but deliveries since August show a shortfall of about 15 per cent. Iraq was due to deliver 2m tons in lieu of debts of $1.2bn owed to Bulgaria but the United Nations embargo ruled that out. The shortfall means enterprises are deprived of raw materials, spare parts and energy.

Lukanov: has already threatened to resign over reform issue

Any chance of buying spare parts from the west is remote following Bulgaria's decision to impose a moratorium on its debt repayments which total $10.6bn (£5.3bn).

As a result, economists say that half the workforce in the industrial sector may be idle while the other half spends much of the day queueing for food and petrol. The Central Statistics Department reported that the chronic shortage of raw materials had led to factory closures in the petrochemical, food processing and machine building sectors. Since the beginning of the year, more than 24,000 people had been made redundant.

The Statistics Department also reported that winter clothes, including children's clothes, knitwear, stockings, socks, shoes, batteries and even matches are no longer available in the shops.

What goods are available are subject to growing inflation. Drawing from a basket of 1,700 products, the Statistics Department showed that between May and September, prices rose by an average of 25 per cent.

Against this background, Mr Lukanov, who has already threatened to resign, will this week again attempt to persuade parliament to accept a privatisation programme partly designed to attract foreign investors and austerity package aimed at overcoming the shortages.

Mr Lukanov, who has little support from the ruling Bulgarian Socialist (former communist) Party, wants to raise prices by between 30 and 40 per cent, despite opposition from the UDF who want a freeze on all prices.

"Our economy is ailing, and we must go on a diet, consumption must be restricted," he told journalists, adding that the country had no resources or reserves to see it through the coming months.

The chances that a package of reforms will be accepted by parliament are bleak. "People fear redundancies and the social costs of the reforms," commented a western economist based in Sofia.

East Europe energy crisis, page 36

G-24 pledges further aid to eastern Europe

By David Buchan in Brussels

WESTERN industrialised countries have raised their total pledges of help for eastern Europe to $19bn, but have again excluded Romania from their largesse on the grounds that it is not sufficiently democratic.

After meeting here on Tuesday, the Group of 24 western aid donors decided to give energy saving a higher priority in assistance to eastern Europe.

The region is estimated by the European Commission, which chairs the G-24, to face an extra $7bn financing gap next year, largely because of Moscow's decision to demand payment for its oil in hard currency at high world prices.

The idea, floated by the Commission before the Gulf crisis, that the G-24 should set up a special financial facility for east Europe, is also gaining ground.

It got nods of approval, first from last weekend's EC summit and on Tuesday from ambassadors of the G-24 countries who asked the EC executive to come up with a more precise plan.

The G-24 has so far pledged $15bn for Poland and Hungary, of which $3bn is to be straight grants for the priority areas of agriculture, training, environment, investment promotion, and now energy efficiency, and the rest in the form of export credits, investment guarantees and stabilisation funds.

For Czechoslovakia, Bulgaria and Yugoslavia, the G-24 has pledged $3.6bn until the end of 1992, and the World Bank, which takes part in G-24 meetings, has said it plans to lend a further $2.5bn next year.

Brussels is also preparing a plan for an EC reinsurance pool specifically for eastern Europe.

Ex-dissident elected mayor of Budapest

MR Gabor Demszky, a former prominent dissident and leading member of the parliamentary opposition, was appointed mayor of Budapest yesterday, the state MTI news agency reported, AP reports from Budapest.

His appointment had been expected after municipal elections in which the centre-right coalition parties governing nationally fared poorly. Opposition liberal parties made gains, particularly in urban centres.

Mr Demszky, a popular figure, is a leading official in the largest opposition party, the League of Free Democrats. Under the former communist leadership he was a leading dissident, often detained for his anti-communist activities.

Mr Demszky was elected mayor by the new Municipal Assembly. Under Hungary's complex electoral procedures, the assembly is elected in direct balloting and it, in turn, elects the mayor.

The 38-year-old lawyer was the only candidate, MTI said.

The position is one of the most important in the country. About one-fifth of Hungary's 10.5m people live in the capital and the job of mayor was expected to be complicated by a sense of restiveness in Budapest following an unprecedented show of defiance against the newly elected national government.

In addition, Mr Demszky will have to cope with the acute housing shortage. The waiting list for a flat is as high as ten years. In the meantime, young married couples continue to live with their parents.

In response to the 70 per cent petrol price rises, the government was forced to reduce the increases after taxi and truck drivers brought traffic to a standstill in the capital and elsewhere with a three-day blockade.

President Arpad Goencz, a founding member of the Free Democrats who gave up his political affiliation upon his appointment as head of state, said that the country's affairs would have to be handled differently after last week's unrest.

Belgian satirical magazine fails to stir a staid nation

By Lucy Kellaway in Brussels

TINTIN, Magritte, King Baudoin and Queen Fabiola: there are some personalities in Belgium that one does not make fun of. To criticise the King is an act of treason and may result in a prison sentence; to criticise the others is in unforgiveably bad taste.

Hence the poor response to the recent launch of Belgium's most daring satirical magazine, Belge. The magazine is printed on pink paper and chose as its cover story for the first edition *"La vie sexuelle de Tintin, et d'autres Belges celebres,"* but despite these attractions does not seem to be selling.

"I would never sell that, never," says the newsagent in the busy metro by the Berlaymont in Brussels, his face hardening at the enquiry.

Those persistent enough to obtain a copy of Belge may find it a little heavy on sex, a bit repetitive, but containing some good Belgian jokes nevertheless.

To Mr Jan Bucquoy, the paper's editor, Belge is not meant to be funny. The aim is to test the freedom of the Belgian press and to prove that even in conservative Belgium anything is possible. As if to prove his point, at the press launch he put a match to what he claimed was a real Magritte watercolour and turned the burning ashes into an abstract picture on a new canvas.

The hostile response he has received both to his Da-Daist display and to his magazine shows at least he has something to struggle against.

One might have thought there was a big gap in the Belgian market for a slightly scurrilous read. But the one so-called satirical magazine, Pan, has got so thin that it is now printed on a single sheet which appears every fortnight.

Faced with such a benign audience, the government has never had to suffer much criticism and cannot take it when it comes. An article in the Wall Street Journal which dared to attack the telephone monopoly caused a national incident which people are still talking about it.

Some of the explanation for the Belgian reticence is legal. A law dating from the middle of the last century makes it illegal to criticise the King. Mr Bucquoy's last magazine, a rather ruder version of Belge written in Flemish, was immediately suppressed and is now facing possible obscenity charges and further action for allegedly insulting the royal family.

European Diary

Belgium

The rest is cultural. Belgians are deeply Catholic. Bawdy jokes are quite unacceptable. Pornography laws are tight and there appears to be no pressure for change. Moreover, Belgians are tired of endlessly being the butt of others' jokes.

The French and the Dutch have been teasing the poor Belgians for generations. A snooty Parisian cannot hear the slow lilting Belgian accent without laughing, while as far as the Dutch are concerned, the Flemish dialect is beyond the pale.

As a small divided country, Belgium has nothing with which to fight back. Instead it reminds everyone that its chocolate is the best in the world, that it has a good football team, wonderful beer and *frites*, that it is the capital of Europe and has an impressive tradition in comic strips. To be laughed at for those very qualities, and by Mr Bucquoy, a middle-aged Belgian with a beer belly, is not to be tolerated.

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Treuhand chief gives bleak view of sell-off in the east

By David Marsh in Bonn

MR Detlev Rohwedder, the chief executive of Germany's state Treuhand agency supervising 8,000 troubled east German companies, yesterday said that privatisation was being seriously delayed through legal and administrative hurdles.

Mr Rohwedder, delivering a bleak assessment of the outlook for speedy economic improvement east of the Elbe, said that clearing up problems left by 40 years of communism confronted Germany with "quite enormous" tasks.

"It will last for many years. It will not just be a question of going over comfortably to business as usual," he told a conference of businessmen and economists in Bonn.

Mr Rohwedder confirmed yesterday that, as expected, he would leave the Treuhand at the end of this year and return to his job as chief executive of the Hoesch steel company.

The man in charge of the world's largest privatisation programme hit out bitterly at critics of the Treuhand's operations. The "poor reputation" of the agency was unwarranted and damaging, and it was no longer a "haven" for communist officials from the former regime, he said.

He termed as "complete nonsense" press reports of differences between himself and other members of the Treuhand board over the priority to be given to privatising as opposed to restructuring moribund companies from east Germany.

The Treuhand's main priority was to sell companies to the private sector. Although many companies formerly run as East German Kombinate would need to be restructured first before they could be sold off, Mr Rohwedder said he clearly preferred them to be sold first and then restructured by the purchasers.

> There are machinations between some former Communist officials and western investors seeking out bargains

Mr Rohwedder, in an unusually plain-spoken hour-long speech, said decisions on privatisation were being held up by millions of private and public sector claims on property and land in the wake of German unity on October 3.

Giving an example of the size of the agency's challenges, he said that selling the Treuhand's 1.8m hectares of agricultural land would take 45 years, based on the average rate of disposal of land in west Germany.

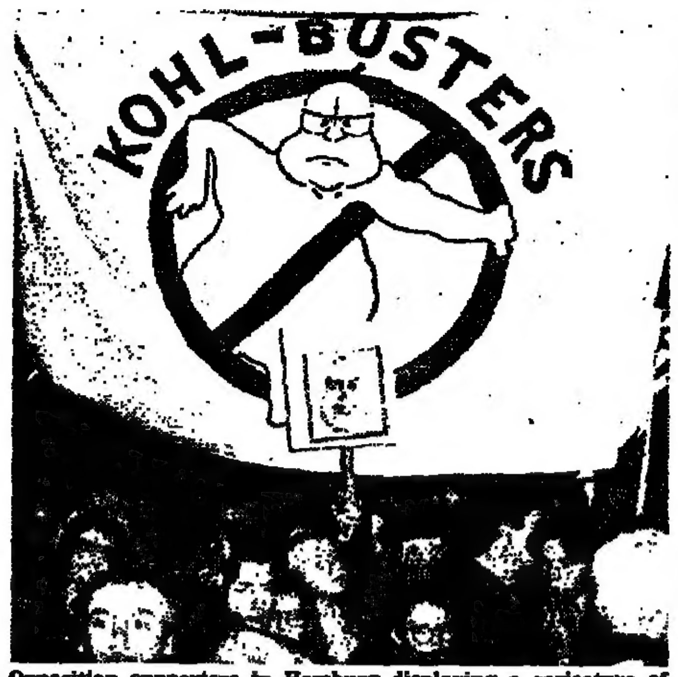
In a further litany of obstacles, Mr Rohwedder said that 150,000 individual claims on assets had been made in Berlin, and 250,000 for the whole of the state of Thuringia.

A remarkable 14,500 individual claims by municipalities, which may eventually take over 2,000 of the Treuhand's 8,000 companies, were also complicating the transfer of holdings. The municipal claims involve 750,000 individual items of property and land. "Who can cope with that?" Mr Rohwedder asked.

He attacked "machinations" between western investors and former communist functionaries in the east over the future of individual companies. The Treuhand would risk selling companies below their true price if it focused on concluding deals as quickly as some bidders wanted, he said.

Setbacks in privatisation also raised the danger of "discrediting the system of the market economy" in the eyes of the east German population, he said.

Mr Rohwedder also directed his spleen towards the growing number of western investors demanding cash payments and other forms of credits as inducements to take over companies in the east. "We see the danger that the dam could break . . . and that the Treuhand could become a giver of subsidies rather than a recipient of payments," he said.



Opposition supporters in Hamburg displaying a caricature of Chancellor Kohl as the election campaign gets underway

CDU drops eastern funds

GERMANY'S ruling Christian Democrats, keen to escape being tarred by financial scandal, yesterday announced they would forego all profits arising from controversial assets in former east Germany, Reuter reports from Bonn.

But the opposition Social Democrats (SPD), sensing an issue just five weeks before the first all-German elections, blasted this as a campaign manoeuvre and demanded that Mr Helmut Kohl, the chancellor, give up his party's assets in the east.

Mr Volker Ruehe, the secretary-general of Mr Kohl's Christian Democratic Union (CDU), said the all-German party would not keep any of the reserves or property the eastern CDU had amassed during 40 years of communist rule.

SPD finance expert, Ms Ingrid Matthaeus-Maier, who claimed on Tuesday that the CDU and its Free Democrat (FDP) coalition partners were as guilty as the communists in plundering public funds, said foregoing profits was the least the CDU could do.

"Mr Kohl should stop this attempt to fool the voters and give back all the illegally obtained assets of the eastern CDU," she said.

The eastern CDU and liberals, now within the fold of their more powerful counterparts in the west, were loyal allies of the former ruling communists and kept the property and funds they amassed even after switching to democratic politics.

This infrastructure, including state-owned offices, training centres, holiday camps and other buildings, gave the CDU and liberals a key advantage over struggling new parties like the Eastern SPD in elections in the East this year.

The SPD, whose holdings in the east were seized by the Nazis and then the communists, are trailing Mr Kohl badly in the campaign for the December 2 polls.

The communists, who have admitted trying to embezzle DM107m ($70m) in frozen funds, were trying to find out exactly how much they are worth.

The renamed Party of Democratic Socialism has no clear picture of how many companies it launched this year before East and West Germany merged their economies in July, party presidium member Klaus Steinitz said in a newspaper interview.

Mr Ruehe said the eastern CDU owned assets of only DM13m and property worth only DM1.3bn – a fraction of the amount cited by the SPD.

Mr Kohl's coalition plans to set up a parliamentary commission to investigate the assets parties held in the former East Germany to determine how much was illegally obtained, officials said.

Consortium for DM25bn power needs

By William Dawkins in Paris and David Thomas in London

A CONSORTIUM of west German and other European electricity companies is due to be formed before the end of the year to begin the DM25bn (£8.4bn) to DM30bn task of modernising east Germany's creaking power supply network.

The leading partners are waiting to hear whether Enel, the Italian electricity group, and PowerGen and National Power, the two generating companies in England and Wales, want to take part in the project, say officials at Electricité de France, the French electricity board, which is heading the non-German part of the consortium.

This will represent the "birth of a European electricity industry," said Mr Pierre Delaporte, president of EDF, which has been lobbying for years to get better access for its cheap nuclear-generated power in west Germany's protected electricity market. The group exported 11 per cent of its power last year, of which a mere 1.7 per cent went to what was then West Germany.

East German electricity production and transport is to be handed over to the new body early next year, which will be majority-controlled by the three big German power companies, RWE, Preussenelektra and Bayernwerk. Under an outline agreement made last August with the Treuhand privatisation agency, they will hold between 60 per cent and 75 per cent of the capital, with up to 25 per cent reserved for five medium-sized west German power groups.

Up to 15 per cent is earmarked for the EDF-led foreign consortium, which so far includes Tractebel of Belgium, Endesa of Spain and EOS of Switzerland.

PowerGen appears to be the better-disposed of the UK generating companies to the proposal. It said yesterday it hoped to reach a decision on EDF's proposal by the end of the year, whereas National Power said it would not expect to make a decision until after its privatisation.

Russia gives reform go-ahead

By Leyla Boulton in Moscow

THE Russian Parliament has given the go-ahead for radical economic reform to start today but it has yet to sort out what this means in practice.

Deputies last night empowered the government of the Soviet Union's largest republic to implement concrete measures to stabilise the economy and move towards a market system.

Their resolution also says that the original 500-Day Programme approved by deputies this summer will have to be revised. This is partly because it was rejected by the central Soviet parliament last month and partly because of increases in grain and meat prices which ruined the plan's anti-inflation strategy.

Mr Ivan Silayev, the Russian prime minister, is to produce these amendments, along with plans for a new government structure to manage the economic reforms, within the next four weeks.

In a sign that the Russian government is none the less serious about taking action soon, ministers yesterday discussed privatisation measures – one of the easier issues to tackle in the absence of a parallel all-union programme.

Parliament also gave its final approval yesterday to legislation handing Russia control over its own resources – although it is still not clear how this will be achieved in the face of resistance from the centre. Adopting a conciliatory approach to the centre at the same time, the Russian parliament also urged President Mikhail Gorbachev to act swiftly to create the conditions for a market economy across the Soviet Union.

> **The Soviet Parliament yesterday joined growing protests against a nuclear test last week in the Soviet far north, saying its committees should have been notified beforehand, Reuter reports from Moscow.**
>
> **Deputies passed a resolution which also noted the potential damage to relations with the countries of northern Europe because of concern for the region's fragile ecology and health of its residents. Local authorities protested to President Gorbachev against the October 24 test on the archipelago of Novaya Zemlya and demanded access to the closed area, Tass news agency said.**

The Soviet parliament, meanwhile, passed legislation to crack down on black marketeers and speculators, although several deputies were sceptical that this would relieve chronic shortages of food and consumer goods.

It also gave preliminary approval to guidelines for the protection of Soviet and foreign investment. Mr Nikolai Koriugin, a member of the parliament's committee for economic reform, said the anti-profiteering law would simply drive the black market deeper underground and inflate its prices further.

He pushed instead for parliament to adopt an alternative project allowing small traders to operate if they paid taxes and registered with authorities. "The black market law will drive money underground rather than into government coffers," he explained.

Parliament approved both projects although the second has yet to win final approval.

While many people complain about profiteers, most Soviet citizens use the black market to secure basic necessities and consumer goods.

"I see this (black market) law as having more of a psychological influence to calm public opinion. It sounds good but it will not solve the problem of shortages," said Mr Nikolai Neiland, a deputy from Latvia.

Nordic states disagree on EC

By John Burton in Stockholm

SENIOR government officials from Sweden, Norway and Finland yesterday disagreed about whether the three Nordic countries should make a joint application for European Community membership and if so, when.

The dispute followed a suggestion on Tuesday by Mr Sten Andersson, the Swedish foreign minister, that a common Nordic EC application could occur next year.

Sweden's Social Democratic government last Friday announced that it was ready to join the Community once negotiations are completed on a European Economic Area between the EC and the European Free Trade Association, of which the three Nordic nations are members.

But at a meeting of Nordic Social Democratic ministers in Copenhagen yesterday, both Norway's new prime minister, Mrs Gro Harlem Brundtland, and the Finnish social affairs minister, Mr Tuulikki Hamalainen, said such a move was premature.

In addition, an EC spokesman in Brussels denied that the EC Commission had discussed the possibility of a joint membership application from the Nordic region.

Swedish newspapers yesterday quoted Mr Henning Christophersen, the Commission's vice-chairman, as saying that the Community was prepared to accept such an application with an entry date of 1994.

The EC spokesman characterised the remarks as being Mr Christophersen's personal opinion.

In a clear sign that differences persist within the Nordic region about EC membership, Mr Hamalainen, the senior Finnish government representative at the Copenhagen meeting, said: "We are surprised at Sten Andersson's remarks and very irritated about the fact that the Swedish government did not consult its neighbours before taking this drastic step. The time is not right. His statements could affect Efta's negotiations with the EC negatively."

Mr Hamalainen added that it was uncertain whether Finland could preserve its policy of neutrality within the EC and that this was of concern to the government.

Mrs Brundtland also took a cautious stance on the issue, explaining that a Norwegian decision about EC membership would occur in 1992 at the earliest. "We first must see where the EEA leads to," she said.

Mr Ingvar Carlsson, the Swedish prime minister, also appeared to be distancing himself from the idea of an early joint application.

INTERNATIONAL NEWS

Hong Kong acts to rationalise TV broadcasts policy

By John Elliott in Hong Kong

HONG KONG yesterday began to rationalise its satellite and cable television broadcasting policies when it announced licence arrangements which came down in favour of the Hutchison Whampoa group, headed by Mr Li Ka-shing, one of the colony's top businessmen.

But the plans failed to meet the demands of Hong Kong Cable Communications, a consortium which won Hong Kong's first cable television franchise in July last year. The largest shareholder in this consortium is Wharf Holdings, founded by Sir Yue-Kong Pao, an arch rival of Mr Li.

The government said it would license companies to use Hong Kong as a base for transmitting satellite broadcasts, subject to certain restrictions.

It is also to set up a separate licensing scheme for installation of satellite master antenna television systems (SMATV) in the colony.

This means that Hutchison can proceed with plans to start beaming television programmes within the next 12 to 14 months from Hong Kong across Asia and the Middle East, via a six-month old communications satellite called Asiasat in which it is a leading shareholder.

The future of the cable television venture hangs in the balance because the consortium argues that the satellite operations breach assurances it was given by the government about exclusivity last year.

The consortium has been riven by personality clashes, misunderstandings and other rows since it won the franchise. It is months behind schedule, despite pressure from the government to speed up operations and sign franchise licences.

Sir Y.K. Pao, 71, has come out of semi-retirement to lobby government officials on behalf of the consortium. He is not likely to accept yesterday's decision with equanimity, and the shareholders are to expected to hold a board meeting tomorrow.

They may decide to fight the government's decision. But if they accept it, there will be a major restructuring. Wharf and another big shareholder, US West, which is one of the American Baby Bells, are expected to increase their shareholdings of around 25-27 per cent to nearly 50 per cent. This would enable other shareholders, notably a local company called Sun Hung Kai Properties, to reduce their involvement.

The government has tried to protect the interests of both the consortium and existing television stations by decreeing that the satellite broadcasters should not rely principally on Hong Kong advertising and should not charge viewer subscriptions in Hong Kong for six years. In addition, satellite broadcasting in Cantonese, Hong Kong's main Chinese language, is banned for three years.

Mr Richard Li, 23-year old son of Mr Li Ka-shing, who heads the satellite operation, said last night that the restrictions would not upset his plans because the broadcasting would be primarily aimed at Hong Kong's top English-speaking viewers who made up about 1 to 2 per cent of the colony's viewing public. This would only bring in about 4 per cent of the venture's expected international advertising revenue.

Triumph for Hawke on constitutional reform

By Kevin Brown in Sydney

MR BOB HAWKE, the Australian prime minister, achieved a personal triumph yesterday when most of his plans for constitutional and structural reform were approved in principle by the leaders of the eight state and territory governments.

The agreement followed a two-day conference in Brisbane which revealed a large measure of agreement between Mr Hawke and the six state premiers and two territory chief ministers on the need for reform to revitalise the economy.

The reforms would reduce or eliminate regional differences in regulations and services, eliminate expensive duplication, and encourage the creation of national standards.

But at the two-day conference in Brisbane both federal and state leaders warned the reforms would face strong opposition from vested interests in the state governments, the public service, trade unions and the business community.

"There will be resistance, there will be problems. We are talking about reform of the entire government system in Australia," said Mrs Carmen Lawrence, premier of Western Australia.

The key to the agreement was a concession by Mr Hawke which would reduce the financial dependence of the states on Canberra and territories on the federal government, which raises 80 per cent of tax revenues and finances more than half of their spending.

Mr Hawke's proposals would increase their powers of raising indirect taxes and loosen controls on how they spend money transferred from the federal government. The states would also be compensated for any costs involved in the reform programme.

In return the states would co-operate with the federal government to reduce duplication of health and welfare services, cut losses of state-owned businesses, co-ordinate infrastructure spending, and harmonise regulation in areas such as environmental protection and professional qualifications.

The most immediate impact would be on transport through the creation of a national rail freight corporation and a national registration and taxation scheme for heavy vehicles.

Quick action is also likely to create a unified system of prudential control of non-bank financial institutions, operated by the states but under federal supervision, is also likely. The government has been working on such a system since the collapse of a number of building societies rocked the financial system in Victoria earlier this year.

However, Mr Hawke failed to persuade the leaders to accept proposals for a unified education system, with national standards and certification and the transfer of control of the statutory industrial relations system to the federal government.

The leaders will meet again in May to discuss the details of the reform programme. They also agreed to hold a referendum at the next general election, due by 1993, on extending the life of future federal governments from three to four years.

A separate conference on constitutional reform will be held in April to discuss the balance between states' rights and federal powers.

The agreement will provide a boost for Mr Hawke's federal Labor government, which has lost support to the opposition Liberal/National Party coalition as Australia slips towards a recession.

Mr John Hewson, the Liberal leader, welcomed the agreement but criticised the failure to achieve agreement on labour reform. Other observers said the agreement would have little short-term impact.


Mr Hawke: personal triumph

"This is a step in the right direction, but there are a lot of things still to be done," said Mr Bill Shields, chief economist at Macquarie Bank.

Burma holds dissidents in crackdown

BURMA's military rulers have arrested at least 45 opposition activists since a crackdown on dissent began last week with raids on Buddhist monasteries, AP reports from Bangkok.

Those held included MPs elected in May 27 national elections that the military government has refused to honour, Rangoon residents said.

They said most of those arrested were members of the National League for Democracy (NLD), which won the elections by a landslide.

One resident said people were continually being taken in for questioning and then released, but at least 45 were still held.

The military government of Gen Saw Maung has not announced any of the arrests. It seized power in 1988 by crushing a nationwide uprising for democracy.

China's party agrees date for economic meeting

By Peter Ellingsen in Peking

A VITAL and much delayed meeting of China's ruling Communist party, which is expected to discuss the fate of Zhao Ziyang, the ousted party boss, and approve the country's next five-year economic plan, will be held before the end of the year, Li Peng, the prime minister, has said.

Li told a gathering of ambassadors in Peking that the seventh session of the party's 13th central committee would convene within the next two months. The meeting has been put off several times since August because of the Asian Games and discord among senior leaders over the extent of economic reform.

Li and other hard-liners are known to have opposed adventurous price de-regulation and other reforms proposed by progressives, and to have rejected moves to rehabilitate Zhao, who was sacked for allegedly siding with the 1989 student protests.

"Because the plans are very important," Li said, "It will require much time for preparation before the party's meeting is held."

UN endorses Jordan sanctions proposal

The UN Sanctions Committee has endorsed a proposal by Jordan that international monitors be asked to confirm the country's compliance with the embargo against Iraq, diplomats said yesterday, writes Michael Littlejohns in New York.

How this might be done was left to the secretary general, Mr Javier Pérez de Cuéllar, who has a staff in Jordan.

King Hussein's request for international aid to help his country withstand the effects of sanctions was approved weeks ago, but Amman complained this week that "not a penny" had been forthcoming.

The United States and some of the potential donors have raised doubts about Jordanian compliance, but most members of the Sanctions Committee do not share those suspicions. Although acknowledging that a blind eye was turned towards continued shipments of Iraqi oil that Jordan received in partial repayment of Iraq's large debt, a western member said yesterday it deserved to be widely known that the Jordanians were otherwise "properly obeying sanctions."

That this is at considerable cost was confirmed earlier this month by an emissary sent to Jordan by Mr Pérez de Cuéllar. In his report he estimated that Jordan would lose about $1bn before the end of the year and perhaps as much as $4bn in 1991.

Hizbollah and Amal agree ceasefire

Lebanon edged closer to consolidating its fragile peace yesterday with the announcement that the Amal and Hizbollah Shia Moslem militias had concluded a ceasefire, Lara Marlowe reports from Beirut.

The government of President Elias Hrawi also said all seven militia groups in Beirut had now promised to withdraw from the city.

The pro-Iranian Hizbollah was excluded from the Taif peace negotiations earlier this year. Itsthree-year war with the Syrian-backed Amal movement and its poor relations with Syrian troops in Beirut had led to fears that it would try to sabotage the progress made since rebel Christian Gen Michel Aoun was defeated on October 13.

The Shia Moslem militias have concluded dozens of earlier ceasefires – some negotiated by the Syrian and Iranian foreign ministers.

● THE MIDDLE EAST

Baker prepares to put pressure on Saddam

Lionel Barber looks at US plans to adopt a more threatening posture over the Gulf

THE forthcoming trip to the Gulf and Europe by Mr James Baker, US secretary of state, foreshadows a significant escalation of US efforts to end Iraq's occupation of Kuwait.

After a period of drift within the US-led international alliance, the Bush administration has concluded that a more threatening posture is needed to convince President Saddam Hussein that, if he remains in Kuwait, he will face a war and lose.

Over the next four weeks, the administration intends to use every available tactic – including threats to use force, the possible deployment of tens of thousands of troops in Saudi Arabia, and further United Nations resolutions against Iraq – to convince Mr Saddam to back down.

Mr Baker's mission, which begins on Saturday, is to spell out US thinking and take the temperature within the alliance. Stopovers include Saudi Arabia, Egypt, Turkey, France, and Britain. He will hold talks with the exiled emir of Kuwait, the Saudi ruling family, and Mr Eduard Shevardnadze, the Soviet foreign minister.

Washington's November offensive will gain momentum after next week's mid-term elections and continue with President George Bush's visit to the troops in Saudi Arabia around Thanksgiving in late November. Action at the UN, where the US will assume the chair for the current month, will also be stepped up.

Mr Baker's mission is the most visible piece of overseas US diplomacy since he went to the Gulf in early September to solicit funds for Operation Desert Shield and to provide compensation to the front-line states of Egypt, Jordan and Turkey hurt by the UN economic embargo against Iraq.

That trip eventually helped to raise more than $20bn (£10.1bn), even if Mr Baker's Texan pride was hurt by having to go cap in hand to the Arabs. There followed, however, a series of events at home and abroad which weakened US leadership of the alliance.

The first setback came with the Israeli shooting of 21 Palestinians in Jerusalem. International outrage undermined the consensus at the UN Security Council and shifted attention away from Iraq's occupation of Kuwait towards Israel's occupation of Gaza and the West Bank.

Then came Prince Sultan's damaging remarks suggesting that Saudi Arabia would countenance handing over several strategic Kuwaiti islands in exchange for Iraqi withdrawal from Kuwait. Coupled with some ambiguous Soviet diplomacy in the region, "Saddam was probably feeling a little too comfortable, like he could just wait this one out," says a US official.

If Mr Baker's aim is to stiffen resolve among allies, he will also have on eye on public opinion back home. A recent Newsweek poll found that only a bare majority of Americans believed the US should engage in combat if Iraq refuses to leave Kuwait and restore its government. Forty-five per cent supported military action, but 37 per cent said no.

This week, congressional leaders urged Mr Bush to give economic sanctions against Iraq a fair chance; several members (notably Senator George Mitchell, the Democratic majority leader) questioned the president closely on whether the increasing rhetoric meant the US was looking for a pretext for war.

There is no "war" party in Washington; but there is a "peace party" led by Congressman Ron Dellums, the California Democrat who has garnered 81 Democrat signatures urging the administration to pursue a peaceful solution to the crisis. Without a major provocation, most commentators believe the case for moving from the defence of Saudi Arabia to offensive action to liberate Kuwait has yet to be made.

Mr Baker, a political animal by nature who served as White House chief of staff under President Reagan, is a great believer in the need to prepare public opinion before taking action, at home or abroad. After some initial hesitation, the signs are that the secretary of state has begun to take charge – spurred perhaps by the political damage to his friend Mr Bush caused by the budget fiasco.

Last week, he sought and received an invitation to testify to the Senate and House foreign relations committees. This week, he gave a tough speech to the Los Angeles World Affair Council and revealed that American hostages held as "human shields" at strategic installations in Iraq were being held on vermin-ridden concrete floors, kept in the dark during the day" with meals cut to two a day. He also spoke of atrocities in Kuwait.

This is the kind of talk which provides the rationale for a war. If the November offensive fails to elicit a response from Mr Saddam, war may still not be imminent; but it may prove inevitable.

Israel to bar more West Bank and Gaza Palestinians

By Hugh Carnegy in Jerusalem

THE Israeli authorities are planning to bar an increasing number of Palestinians from the occupied territories from entering Israel following a wave of attacks on Jews.

Some politicians and officials have also called for employers to give Soviet immigrants and young unemployed Israelis some of the jobs held by Palestinians.

A combination of such measures could have a serious economic effect on the occupied territories. More than 100,000 Palestinians work in Israel, a number which, ironically, has risen during the nearly three-year-old *intifada* (uprising), as employment has slumped in the territories.

Mr Moshe Arens, the defence minister, has ordered tighter control on Palestinians entering Israel, to screen out potential troublemakers. Military officials are expected to extend the system of barring those with a record of security offences from the present number of around 8,000 to around 15,000.

The state-run Employment Service says it intends cracking down on the estimated 65 per cent of Palestinian workers who are not licensed, to promote more employment opportunities for immigrants and unemployed Israelis.


Defiant Palestinian family in the ruins of their home in Ein Arak on the West Bank, demolished yesteday by the Israeli army

Some employers, including a number of municipal councils which hire Arabs for menial jobs, say they intend replacing their Palestinian workers.

However, there are doubts about how far this will go. Most Palestinians work in low-paid jobs such as sanitation and construction which Israelis have always been reluctant to do themselves and which immigrants may also balk at.

Less than half of those Israelis taken on last week to replace Arabs during a four-day ban on all movement out of the territories were still in their jobs yesterday.

Military officials admitted "very few" Gazans had lost their jobs in the last week, an impression shared by the Israeli Manufacturers Association. "I don't think we can say many have been fired," a spokesman said. "It's not so simple. Many have worked for years in their jobs, they are good workers and employers don't want to throw them away."

Philippines devalues local currency by 8 per cent

By Greg Hutchinson in Manila

THE Philippine Central Bank yesterday sold $2m at pesos 28.00 to the dollar, producing a de facto 8 per cent devaluation, thus bringing the currency to its black market value.

An official of the Bankers Association of the Philippines said the sale was to the government-controlled Philippine National Bank, the country's largest bank.

A Central Bank statement said: "This depreciation is perceived to have taken place in response to the widening trade and current account deficits."

The trade deficit in the first eight months of 1990 was $2.56bn or more than 50 per cent higher than the same period in 1989.

The statement said the devaluation would encourage exports, making them seem cheaper overseas, and mean larger remittances from the vast numbers of Filipino contract workers abroad. It would also discourage imports, which will now be more expensive in the Philippines. "We had to do it now. If we didn't, it could be worse later," Mr Jose Cuisia, the Central Bank governor, said.

President Corazon Aquino was reported as supporting a devaluation of the peso from its level of 25.75, set on September 24, to 28 to the dollar. Even at that level the currency had fallen some 13 per cent since the beginning of the year.

The currency, and the economy generally, have been buffetted last December's bloody coup attempt, a drought, the July earthquake and the Gulf crisis. Bankers said the new rate would hold for the foreseeable future as long as there were no new shocks. They forecast it could move within 2 per cent above its new level and 1 per cent below, before the Central Bank would again intervene.

The black market rate – which has been hovering between 28.00 and 29.00 – could rise slightly in line with the self-fulfilling perceptions of instability that the devaluation will spark. But bankers thought the curb rate would not rise in percentage terms by as much as today's devaluation. "It's around the curb rate now. But the curb market may react again – may be it will go to 30," said one banker.

● Kidnappers yesterday killed eight hostages, including three boys, after clashing with soldiers in the southern Philippines, the military said, AP report from Iligan.

Eight employees of the National Power Corp were found hacked and shot to death near the boundary of Lanao del Norte and Lanao del Sur provinces, the military said.

.the hostages were apparently killed because the military ignored a demand by the kidnappers to avoid launching an attack.

Lebanon offers credits to 11 banks facing a liquidity crisis

By Lara Marlow in Beirut

LEBANON's central bank has been forced to offer millions of dollars worth of loans to 11 of the country's locally-incorporated banks to stave off a liquidity crisis.

The Banque du Liban (BDL) has offered the credits using as collateral the banks' property holdings in Lebanon. It claims the bale-out has won the blessing of the International Monetary Fund.

The BDL is known to have offered the loans to 11 of Lebanon's 83 local banks. These are: Adcom Bank, Banque du Credit Populaire, Banque Libano-Bresilienne, Banque Nasr Libano-Africaine, Capital Trust Bank, Foreign Trade Bank, Lebanese Arab Bank, Mebco, Prosperity Bank, Bank of Lebanon and Pakistan, and Universal Bank.

Under the 1970 banking decree drawn up following the disastrous crash in 1966 of Intra Bank, the BDL has advanced the banks billions of Lebanese pounds (tens of millions of US dollars) charged against their property and land investments.

The central bank has not revealed the precise sums involved but some individual banks are known to have received loans worth up to $25m.

The banks, which are immediately converting the Lebanese pound credits into dollars to serve depositors, have the option of repurchasing the land in two years, paying only nominal interest.

Central bank officials say that the policy has received the IMF's imprimateur.

Dr Edmond Naim, the governor of the central bank, explained the scheme to IMF officials at the body's annual meeting in Washington last month and, according to Mr Maafouz Skeini, the BDL deputy governor: "They were full of admiration. It was something completely new to them – a uniquely Lebanese solution."

However, the policy has angered some local bankers who claim that banks receiving help have exaggerated the value of property used as collateral. Critical bankers also say the plan is inflationary and claim it appears to offer rewards to poorly-managed banks.

"The people running these banks are running their own businesses outside Lebanon using depositors' money and saying 'the government will pay'," said a leading Beirut banker.

Lists of "failing" banks are being handed out on the streets of Beirut. "If you put all the phoney lists together, almost every bank in Lebanon is on them," said another Beirut banker.

"We think they are invented by the owners of the failing banks to take everyone else down with them."

It is also alleged that troubled Lebanese banks have encouraged their employees to strike so that they can close for business and avoid paying depositors.


Saitoti: worse than 1973

Gulf crisis takes its toll of Kenyan economic prospects

By Michael Holman in Nairobi

KENYA's gross domestic product growth for 1990 is expected be between 0.5 and 1 percentage point less than the forecast 5 per cent as a result of higher oil prices brought about by events in the Gulf, according to Mr George Saitoti, the country's vice-president and minister of finance.

An assessment of the impact of the Gulf crisis on the Kenyan economy will be included at next month's World Bank-chaired consultative group meeting in Paris on Kenyan aid needs.

The meeting is seen as having significance beyond Kenya itself. It presents donors with an important example of the damaging consequences of the Gulf situation on one of Africa's most successful economies.

It may also be the occasion at which western governments and lending institutions spell out how the linkage between aid and what the bank called "good governance", including human rights, might be put into practice.

Last week Kenya broke diplomatic links with Norway in a row over the recent arrest in Nairobi of a Kenyan opposition politician, Mr Koigi wa Wamwere, making it probable that human rights will be high on the Paris agenda.

In an interview in Nairobi covering the economic effect of the Gulf, Mr Saitoti said: "It is very serious for us, much worse than the oil crisis of 1973."

Kenya could cope, he said. But he warned that many non-oil exporting sub-Saharan states "will not make it" and economic reform programmes adopted by most countries in the region would be in jeopardy.

Kenyan officials calculate that at least 20 per cent of imports, by value, consist of oil or oil-related products. If high oil prices are sustained this could nearly double next year, said one official.

Kenya's inflation rate jumped from an annual 10.7 per cent in August, to more than 12 per cent in September.

On the row with Norway, Mr Saitoti acknowledged that it would lose Kenya some $20m (£10.1m) in Norwegian aid next year.

But he hoped that other donors would treat the matter as "a quarrel between Kenya and Norway", and would not allow it to affect their relationship with Kenya.

Mr Wamwere, a former MP, went into self-imposed exile in Norway in 1986. He is being held in Nairobi on treason charges following his arrest, having allegedly infiltrated Kenya from Tanzania.

Koreans to build Soviet TV plant

GOLDSTAR, one of South Korea's leading electronic makers, has won a three-year $250m (£127m) contract to build a colour television plant in the Soviet Union, AP-DJ reports from Seoul. The announcement brings to $800m the value of contracts the company has signed for factories in the Soviet Union.

The television factory, to be built in the Kirghiz Republic, will be able to produce 1.5m sets a year, Goldstar said.

WORLD TRADE NEWS

US copyright industries hit back at Thais on 'piracy'

By Nancy Dunne in Washington

US COPYRIGHT industries have, after four years' talks, warned the Thai government they will file a trade complaint with the US trade representative on November 15 unless authorities take immediate action against pirates of books, records, tapes, videos and computer software.

Calling Thailand "the worst offender of intellectual property rights in Asia," the industries say they are losing $60m (£30m) a year from piracy. If a US inquiry upholds the complaint, trade sanctions could be imposed.

Mr Eric Smith, general counsel of the International Intellectual Property Alliance, which represents the industries, claimed attempts by US companies to obtain their rights had resulted in threats of violence against employees of the record and motion picture industry associations in Thailand. "The Thai government has simply refused to move against the pirates responsible for these losses and threats, despite repeated US government and private-sector entreaties," he said.

Industry representatives said the issue was taken up with Mr Chatichai Choonhavan, Thai prime minister, in Washington last June. Industry leaders had since met Thai officials in the US, Europe and Bangkok to press their concerns. In a letter to Mr Vitthya Vejjajiva, Thai ambassador to Washington, the alliance claimed the Thai government had been given names and addresses of "known pirates", but had not acted.

Mr Jack Valenti, chairman of the Motion Picture Export Association of America, said illegal copies of US films were on sale in Thailand within days of their release in the US, and before their legitimate release in Thailand. Member companies estimate their losses at $108m over 10 years.

The alliance said pressure by the US government, between 1984 and 1989, had halved piracy losses to over 1,500 companies. Improved copyright regimes had been established in South Korea, Taiwan, Malaysia, Indonesia, Singapore and Saudi Arabia, where piracy had once excluded US companies. Under these accords, the US copyright industries' value-added takings had risen from $164bn in 1977 to $303bn in 1989.

UK-Iran trade links set to grow

By Scheherazade Daneshkhu

THE OPENING of the British embassy in Iran is expected to presage an expansion of trade relations between the two countries.

Iran is one of the Middle East's largest export markets and one likely to grow further with this year's rise in oil prices, which account for 90 per cent of the country's export earnings. Despite the diplomatic break after the Rushdie affair last year, British-Iranian trade in 1989 showed a rise of 4 per cent on the previous year. British exports to Iran totalled £252m, and imports, mostly of oil, £250m.

Trade for the first eight months of this year has almost matched this level. Exports to Iran at the end of August were £239m, 57 per cent up on the same period last year, while imports amounted to £225m, up 27 per cent for the same period.

British exports cover a wide variety of items, but are dominated by manufactured goods, including power generation and industrial machinery.

But where British companies are conspicuously absent is in contracting. Iran needs technology and billions of dollars of work in petrochemicals, power generation, mining, refineries, dams and oil installations, and has given contracts to Italian, German and Japanese companies. In 1989, West Germany's exports to Iran were worth $1.3bn (£650m) and Japan's $820m. The main reason for Britain's absence in this market is the lack of medium-to-long-term finance available.

Britain's Export Credits Guarantee Department (ECGD) charges a high premium – up to 8 per cent – on trade with Iran, and only gives short-term cover of up to 360 days, which effectively prevents project work.

ECGD has said it will review the possibility of extending cover for the Iranian market but says there are still substantial pre-revolutionary debts outstanding, estimated at £100m by one observer. These were incurred by private companies.

. By contrast, Iran's other European trading partners, notably, France and West Germany, have provided Iran with medium-term credit. France's Société Générale is leading a pool of up to 50 banks worldwide to raise $1.8bn for projects with the National Petrochemical Company to cover an eight-year period. The German export credit agency, Hermes, secured a DM500m (£168.3m) line of credit for Iran last year, to run for five years.

Iran has an exemplary payments record and has virtually no long-term debt. In recent months, the government has been buying up some of its short-term debt, now estimated at $1.5bn-$2bn. Given these facts, it becomes clear that the British government sees the main trade risk as political rather than economic.

President Rafsanjani is placing emphasis on a free trade area being developed on the island of Qeshm, near the Straits of Hormuz. Investments there are guaranteed against nationalisation and the island will have a separate legal and social code to provide "a comfortable background for the cosmopolitan population required for rapid development".

New warning on collapse of Uruguay Round

A WARNING on the consequences of a collapse of the Uruguay Round trade talks came from a group of political and business leaders in Frankfurt yesterday, Andrew Fisher reports.

With the deadline for the Uruguay Round a month away, the Eminent Persons Group on World Trade (EPG) urged rapid action to ensure success, to prevent protectionism and recession. Failure would hamper reform in eastern Europe and hit developing countries.

The need for success was more urgent than when the Round was launched four years ago, the group said. Big changes in Europe, including the Soviet Union, and many developing countries, "could be cemented only by their incorporation into the liberal, open world economy".

Protectionist pressure had grown in several industrial countries, with the Gulf crisis creating huge problems. The Round must be completed in December, or results delayed for years.

EC governments' failure to end splits over liberalising agriculture was causing delays. "In many advanced countries with protectionist farm policies, farmers make up a small fraction of the population and farming an even smaller part of national income."

Mr Otto Lambsdorff, former German Economics Minister, said Mr Renato Ruggiero, Italy's trade minister, hoped EC governments would give Brussels a mandate. Those at the meeting included Mr William Brock, ex-US Trade Representative; Mr Francois-Xavier Ortoli, ex-EC Commission president, and Lord Young, ex-UK trade secretary.

Agreement on shipping all at sea

Richard Tomkins charts the difficult course towards liberalisation

THE maritime equivalent of a hornets' nest has been stirred up in the world shipping industry by attempts to secure a General Agreement on Trade in Services (Gats) in Geneva.

Part of the aim of the Gats talks is to secure a liberalisation of the world market in shipping services, and they form one aspect of the broader talks in the Uruguay Round under the General Agreement on Tariffs and Trade (Gatt). The negotiations have thrown up differences not just between the nations involved, but within them.

The background to the shipping agenda is an industry at present characterised by an extensive matrix of regulations and agreements which in varying degrees restrict the shipping trades to certain participants.

The simplest example is the practice known as cabotage, whereby many nations restrict shipping within their own territorial waters to vessels owned by domestic shipping lines.

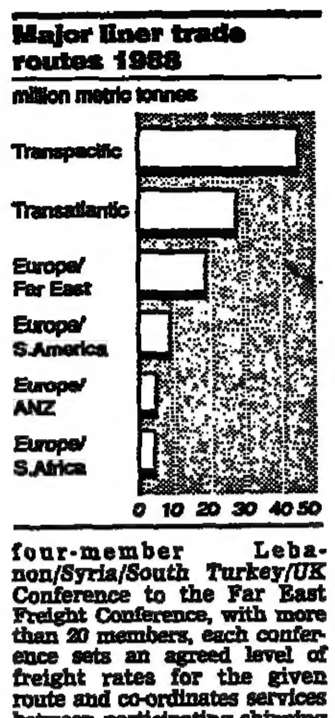
At a more complex level, the so-called liner trades – the regular, timetabled services which carry container traffic between the continents – are governed by an international system of non-governmental agreements known as conferences.

The conference structure dates back 100 years or so to the days when British companies decided to put the liner trade market on a more orderly footing – or, less euphemistically, to rig it – by co-operating with each other on pricing and services.

The idea caught on among the other leading maritime nations and today virtually all the world's international liner trade routes are covered by conferences.

Ranging in size from the four-member Lebanon/Syria/South Turkey/UK Conference to the Far East Freight Conference, with more than 20 members, each conference sets an agreed level of freight rates for the given route and co-ordinates services between participating shipping companies to provide a regular timetable.

Major liner trade routes 1988



To the outsider, this looks like a cosy cartel which eliminates competition. Ship owners, however, say that whatever monopolies they might once have enjoyed have been eroded by non-conference vessels from the former eastern bloc countries, Taiwan and South Korea, all of which compete aggressively on price.

The shipping companies argue that the conference structure benefits customers by providing them with frequent, reliable services and stable prices. The chaos that would follow their abolition, they say, would be to nobody's benefit.

Nevertheless, the conference structure has faced a number of challenges. One of the more prominent ones came in the 1960s as the developing nations, unhappy at the continued domination of world shipping by their one-time colonial masters, sought greater participation in the shipping of goods to and from their shores.

The result, after many years of effort through the United Nations Conference on Trade and Development, was the UN Liner Code. This laid down the basic principle that traffic between two nations should be split according to the 40-40-20 rule, with 40 per cent going to shipping companies belonging to the nations at each end of the route and the remaining 20 per cent left for other nations' vessels.

The UN Liner Code did not replace the conference structure: it was superimposed upon it, with mixed results.

The US, for example, is not a signatory to the convention because it believes it is an unacceptable constraint on the freedom of international trade. The EC, too, accepted the code only insofar as a 40 per cent allocation to one of its member states should be transferable to any of the others.

One of the many complications facing the Gats talks on transport services is that the UN Liner Code, ratified in 1983, was supposed to have been revised after an experimental period of five years. The review conference, however, has been delayed by procedural disagreements, so the Gats negotiators are discussing changes to a code which is already out of date.

But a greater obstacle at the Gats talks is the confusion of differing interests among the participants.

The US, for example, entered the talks a robust defender of liberalisation but, according to some observers, it has performed a 180-degree turn in the case of the shipping industry.

The reason is that its own shipping companies, with their relatively high cost base, are concerned about who would come off best in an environment of unfettered competition. Full liberalisation would also come into direct conflict with the Jones Act, a maritime law which preserves virtually all US coastal shipping for the US shipping industry.

The position of the developing nations is clearer. They see full liberalisation as being against their interests because of the importance of regular shipping services to their economies. Unfettered competition, they fear, would lead to the sudden disappearance of essential shipping links if operators moved on to other routes where returns were bigger. It would also endanger their nascent shipping industries.

The EC's position, however, is as uncertain as that of the US. Its formal position is that shipping should be included in any Gats arrangements. But it has angered the US by seeking derogation from the non-discrimination principle for all present and future agreements reached under the UN Liner Code.

And it is in very considerable difficulties over the issue of cabotage because of its inability, after many years of intense effort, to reach agreement on the liberalisation of coastal trades even among its own members.

'Barter Soviet ships for butter'

SURPLUS Soviet warships could be bartered for New Zealand wool and butter to ease Moscow's hard currency shortage, Mr Yuri Sokolov, Soviet ambassador to New Zealand, has suggested, Reuter reports from Wellington. "A bargain could be struck covering ships for primary products," he added. "We lack hard currency. We would like to sell anything."

New Zealand sells dairy products, in short supply in the Soviet Union, to Moscow in return for Lada cars. But Mr Sokolov was unsure whether Moscow was ready yet to sell new or second-hand ships for further use.

Dassault and India in 'automatic teller' link

By Kunal Bose in Calcutta

DASSAULT Electronique of France is forming a joint venture with Kerala State Electronics Development Corporation (Keltron) to make automatic teller machines (ATMs) in India, Kunal Bose reports from Calcutta.

While details are being worked out, Keltron will market Dassault-made ATMs.

The machines will be imported in either fully-assembled or semi-knocked-down condition.

Dassault is involving itself in India at a time when the banking industry is going for major automation and computerisation.

Dassault and Keltron will each have a 40 per cent holding in the proposed joint venture, while the former will provide technical know-how for making ATMs.

The remaining 20 per cent equity will be subscribed by Indep, which represents Dassault in India.

The joint venture will undertake the manufacture of other computer-based bank automation equipment once ATMs production has become established.

Brazilian banks face downturn in short-term credit

By Christina Lamb in Rio de Janeiro

BRAZILIAN banks are facing their worst crisis in obtaining short-term foreign credit, according to the international director of the country's largest state bank.

The banks are blaming the situation on retaliation by foreign creditors against Brazil's non-payment of medium- and long-term debt.

Mr Narciso Carvalho, international director of the Bank of Brazil, said: "Both interbank and commercial lines have been reduced to an acute point." He estimated that such short-term credit this year would be only $4bn (£2.06bn) instead of the $15bn expected.

He said the action was caused by creditor banks trying to pressure Brazil into resuming payments on its $60bn debt to foreign commercial banks, adding that the situation had deteriorated following the first meeting last month between Brazil's debt negotiating team and creditor banks in New York.

The short-term lines agreed in September 1988 as part of the debt renegotiation are essential for financing trade and were due to continue at the same level until next March, when they expire.

Although many foreign banks have lost patience with Brazil, it has never defaulted on the short-term lines; indeed, these are highly profitable operations, often with little risk. Ironically, with Brazil opening up its long-protected market, foreign banks could harm their own country's commercial interests.

Mr Carvalho said: "Banks started reducing the lines and making the terms unfavourable even as early as 1988, arguing that Brazil was not keeping to the agreement so why should they? Some just decided to get out of Brazil altogether and after Brazil again stopped payments in July 1989, they began cutting drastically."

He added that many banks did not bother using cosmetic transactions for getting out but simply asked Brazilian banks to pay them back outside the country and left, making it hard for the central bank to keep track.

Mr Carvalho is confident that unless the foreign banks agree unanimously to cut credit to force Brazil to improve its negotiating position on medium- and long-term debt, the short-term situation must improve.

Chile lifts lid on funds for Pinochet secret police

By Leslie Crawford in Santiago

GENERAL Augusto Pinochet's secret police, formally disbanded before the dictator stepped down in March, are alive and well and being financed by Chile's new democratic government.

News of their continued existence came after a row broke out in Congress over next year's military budget, which allocates $5m (£2.57m) for the wages of 2,000 employees of the supposedly-defunct Central Nacional de Informaciones (CNI).

The dictatorship's secret agents have been incorporated into the army's intelligence unit, confirming suspicions that the CNI ceased to exist only in name. Human rights groups hold the CNI responsible for most rights violations committed under Gen Pinochet's rule, including more than 900 "disappearances". They believe Gen Pinochet dissolved the force to put its agents and files beyond the reach of civilian courts.

In Congress, several senators of President Patricio Aylwin's ruling coalition said they would vote to scrap the CNI item from the military budget.

Senator Jorge Lavanderos, a Christian Democrat, said: "I hope the army will take steps to rid itself of these people before parliament has to do it for them." He accused former CNI agents, underemployed since the restoration of democracy, of lending their services to criminals. "They are organising illegal loan rackets, robberies, extortions and drug trafficking," the senator said.

When challenged in the Senate to explain why a democratic government continued to fund the dictatorship's secret police, Dr Patricio Rojas, defence minister, said he had intended to give military expenditure "some continuity". Only the conservative opposition parties appear to back him.

● Chile's 300,000 public sector employees will get a 25 per cent wage increase in December, Mr Alenjandro Foxley, finance minister, announced yesterday.

Chrysler workforce to vote on three-year deal

CHRYSLER, the third-largest US car maker, has reached a tentative three-year labour agreement with the United Auto Workers union which gives 63,000 workers improved job security, pension and health care benefits, Reuter reports from Michigan.

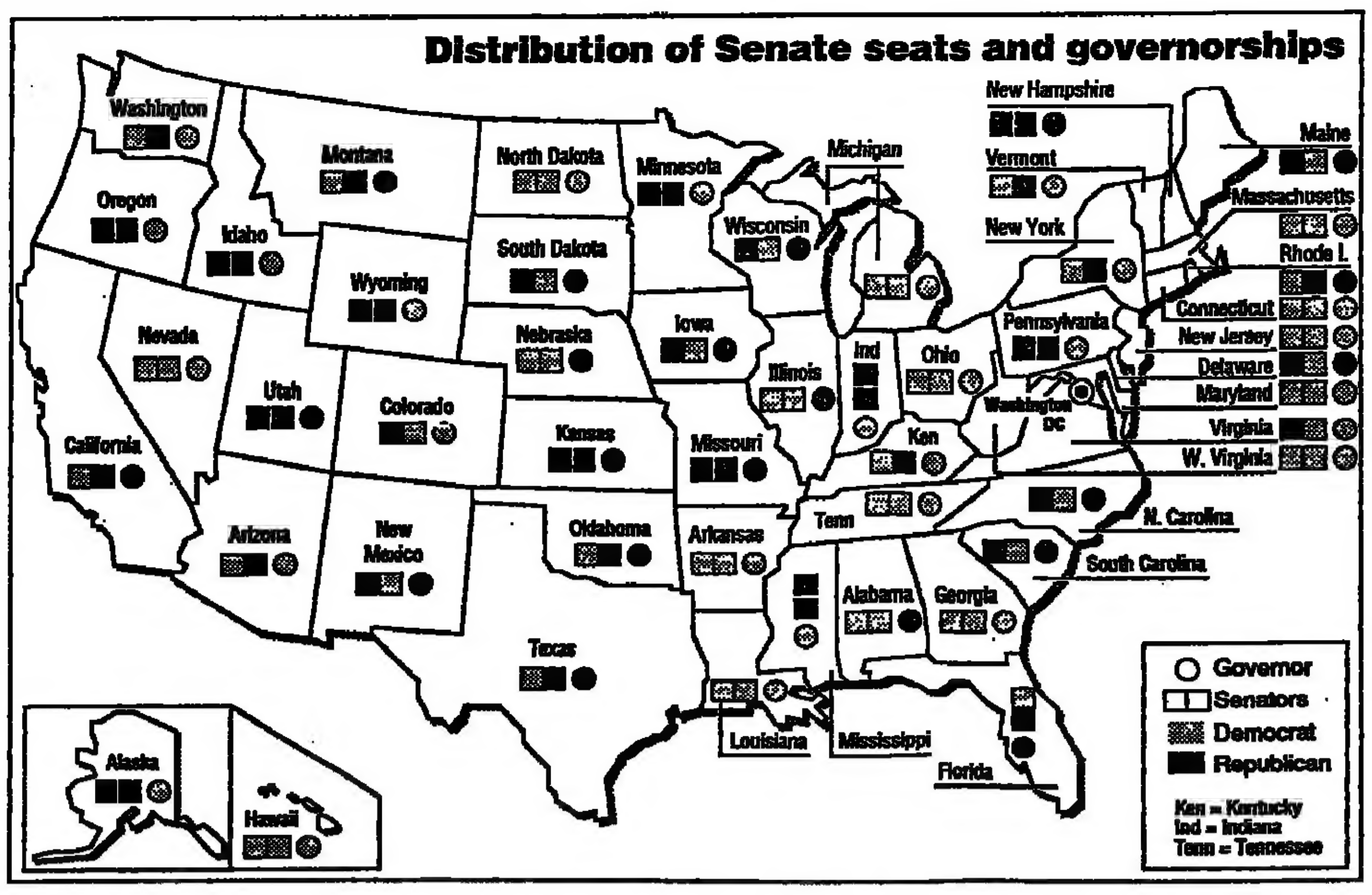
The pact, reached after lengthy talks, matches the pattern recently set by General Motors and Ford, the two leading US car makers, and replaces a contract which expired on Monday.

Chrysler had said it could not afford the expensive provisions of its rivals' labour agreements, but late on Tuesday both sides said they were pleased with the deal.

Ford and GM's agreements included increased wages, and multi-billion dollar job and income security funds.

Details of the Chrysler pact were withheld pending a meeting with the UAW's Chrysler national bargaining council. The council must approve the deal before putting it to rank-and-file members for a ratification vote.

Chrysler has had severe problems recently and is seen as the weakest of the US's big three car makers. On Monday it reported a $214m (£109.2m) loss for the third quarter against earnings of $331m in the 1989 quarter.



Bush factor may dent mid-term poll hopes

AS CAMPAIGNING enters the home stretch of the US mid-term elections, polls are focusing on the possible impact on voters of President Bush's declining approval rating, AP reports from Washington.

Republicans are confident they will shrink the Democrats' 55-45 majority in the Senate, but polls now show a volatile electorate.

Senator Don Nickles, chairman of the national Republican senatorial committee, said: "I won't deny that in the last couple of weeks the president's numbers have gone down" and hurt Republicans.

All 435 seats in the House are to be filled next Tuesday, along with 35 Senate seats, of which 16 are held by Democrats and 18 by Republicans, and 36 state governorships.

The map (left) shows current distribution of Senate seats and governorships.

Cuomo's opponent falls on his sword

Martin Dickson on a 'kamikaze mission' to unseat New York's governor

A "kamikaze mission". That was the prophetic phrase used last year by one Republican US senator to describe his party's attempt to unseat Mr Mario Cuomo, the popular Democratic governor of New York state and a potential presidential candidate, in next week's mid-term elections.

But kamikaze flights generally do not crash before they leave the ground, and that is the rare accomplishment of Mr Pierre Rinfret, New York's Republican candidate for governor, a political unknown who has a grating style of speech, some bizarre policies and a penchant for public rows with the hierarchy of his own party.

So disastrous has the Republican effort been that the latest opinion polls show Mr Rinfret getting only 11 per cent of the vote, and possibly being beaten into third place by the minor Conservative Party, while Mr Cuomo romps home with 60 per cent or more of the poll. It would be a profound humiliation for the state party built by the likes of former governors Thomas Dewey and Nelson Rockefeller.

The campaign could have more serious repercussions for the Republicans than a few red faces. At a state level, the Democrats could snatch control of the Senate, giving them the governorship and command of both houses for the first time since the mid-1930s. That in turn would give them a powerful say over the redrawing of state and Congressional electoral district lines.

And at a national level the Republicans have missed a golden opportunity for a mud-slinging assault on Mr Cuomo in advance of the 1992 presidential race.

The governor, who considered but then rejected a bid for the presidency in 1988, testily brushes aside questions on whether he might run in 1992. But many Democrats believe he would be the party's best bet to break recent Republican dominance of the White House.

His early training as a lawyer has made him a powerful orator and a master of the passionate, gut-stirring phrase and the dramatic pause. Put that together with his liberal policy record in New York and many Democrats argue that you have a powerful candidate who can capitalise on what what many analysts see as a growing backlash against the economic polarisation that accompanied the Republican-dominated 1980s.

Yet after eight years as governor, Mr Cuomo himself is hardly unassailable to Republican barbs. The state may still be the second-most powerful economy in the union after California, but the boom it enjoyed in the mid-1980s is ending in a sharp economic downturn and New York faces its worst fiscal crisis since the mid-1970s.

In an attempt to balance this year's budget, Mr Cuomo has signed into law large tax increases, but now acknowledges that a deficit is still inevitable, meaning fresh budget cuts.

1991 looks even more

US MID-TERM ELECTIONS

alarming. Wall Street has cut the state's credit rating to its lowest ever and critics charge that the governor has been too slow to wield the budgetary axe.

All this has certainly hit Mr Cuomo's popularity, but not nearly to the same extent as that suffered by incumbents in neighbouring New England, where recession has encouraged an angry "throw the bums out" attitude among voters.

There are several reasons for this. One is public acknowledgement of the scale of the social problems facing the state – including soaring drugs-related crime and an Aids epidemic – and the governor's generally well-regarded policy initiatives in these areas and the environment.

Another is an ability to avoid getting stuck with too much blame when things go wrong. Mr Cuomo has been careful to place responsibility for some of the state's fiscal woes on the Reagan era's "fend for yourself federalism".

He can also distance himself from the dire financial and crime problems facing New York City, where Mayor David Dinkins is in the firing line.

A third factor is that, despite all the liberal rhetoric, the Governor's record in office has been one of middle of the road compromise, giving him an appeal on both sides of the state's geographical divide: the Democratic heartland of New York City and the Republican-leaning suburbs and deeply rural upstate region.

So while he has successfully thwarted eight attempts to reintroduce the death penalty, he has also presided over the most sweeping programme of prison construction in New York's history.

Given all these strengths, the Republicans found it even hard to conjure up a challenger for the gubernatorial race. The name of Mr Rinfret, a 66-year-old economic consultant, only emerged during a desperate search through the address book of a Manhattan banker.

Mr Rinfret, whose debating style has all the subtlety of an aggressive bar-room bore, turned out not even to be a registered member of the Republican party. He proceeded to clash with its state leadership over the amount of political and financial backing they were giving him.

To underline his alleged lack of funds, he travelled by Greyhound bus to his television debate with Mr Cuomo.

Some of his more extreme policies have also raised eyebrows, such as proposals for the chemical castration of rapists and a suggestion – later abandoned – to recruit up to 100,000 armed vigilantes to fight crime in New York City.

With an opponent like this, Mr Cuomo has been able to conduct a relatively low key campaign, preserving energy perhaps for the brutal exposure he will face if he runs for president in 1992.

Governor Cuomo: his opponent is a political unknown who has shot down his campaign

High car sales help boost US spending

By Anthony Harris in Washington

A SURGE in car sales in September, to take advantage of end of year discounts, and the effect of sharply higher petrol prices goes some way to explain the unexpectedly strong consumer spending component in US GNP figures announced on Tuesday, according to more detailed monthly figures published yesterday.

The data for factory orders and two industrial surveys help to explain industry's continued pessimism despite the strong figures.

The figures show that while incomes rose in September, personal consumption expenditures rose 1.1 per cent, the biggest rise since June. However, since the consumption expenditure deflator rose 0.8 per cent, the real rise was a more modest 0.3 per cent.

This was more than accounted for by the rise in car sales. Spending on non-durables rose 1.4 per cent in money terms, but fell in real terms, since higher oil prices more than accounted for the increase.

Car sales patterns and oil prices also distorted the figures for factory orders, which rose 0.1 per cent in value in the month, well below Wall Street expectations of a 0.9 per cent rise.

Mexican unions in minimum wage call

By Richard Johns in Mexico City

MEXICO's Labour Congress (CT) is to demand a 30 per cent rise in the minimum daily wage from next January, in direct opposition to the policy of government and business. Both these groups are attempting to phase out minimum wages as prices are gradually liberalised.

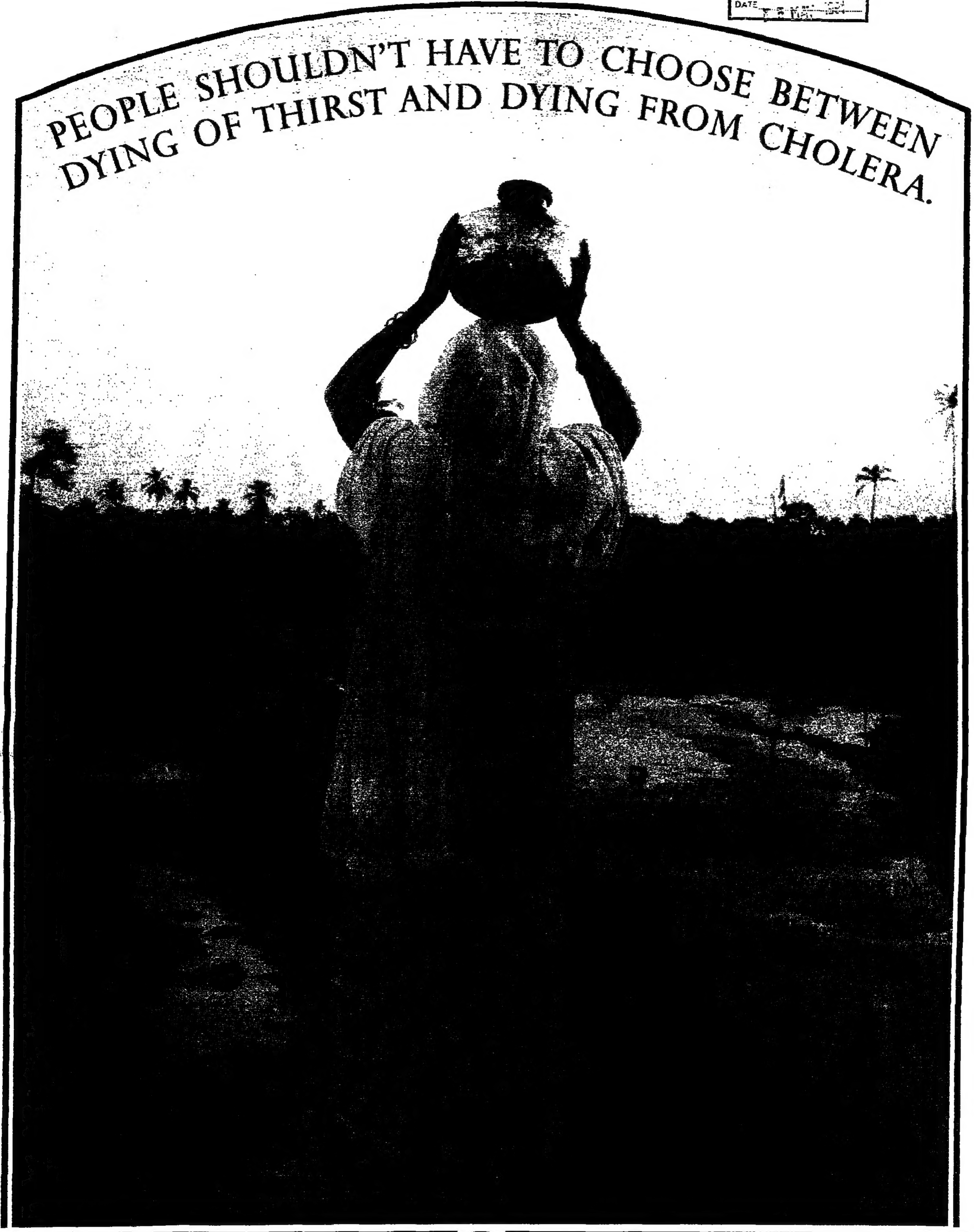
Under government policy, all pay increases should be based on productivity and economic growth. Price liberalisation comes amid speculation over Mexico's economic stabilisation and adjustment programme, which has reduced inflation from more than 150 per cent in 1987 to a rate so far this year of 22 per cent.

An alliance between the government and the Confederation of Mexican Workers (CTM), traditionally loyal, is weakening. This follows the declining control over the labour movement of Mr Fidel Velasquez, the veteran union boss, after he sided with management in two bitter disputes earlier this year.

Defections from the mainstream CTM have increasingly threatened to undermine the economic success of the administration in renewing growth and curbing inflation.

Mr Roberto Sanchez de la Vara, president of the National Chamber for Industrial Transformation, earlier this week forecast that the minimum wage would disappear when the present phase of the stabilisation pact came up for renewal at the end of January.

Last week the private sector Centre for Economic Studies calculated that the purchasing power of the minimum daily wage had fallen by 38.5 per cent since December 1987. According to a study by the Chamber of Deputies, 6.5m Mexican heads of family survive on the minimum wage or less, 31 per cent of the economically active population.


PEOPLE SHOULDN'T HAVE TO CHOOSE BETWEEN DYING OF THIRST AND DYING FROM CHOLERA.

AMERICAN NEWS

A nation determined to improve its image

John Barham on Argentina's determination to seek a new role in international politics

ARGENTINA wants to be taken seriously as a sensible member of the western world. In few other countries would that aspiration amount to a major innovation.

President Carlos Menem's decision in September to send a token force of two warships to help enforce the United Nations trade embargo against Iraq was intended as a telling symbol of Argentina's determination to seek a new role in international politics.

Argentina has not enjoyed a positive image in living memory. Vicious military dictatorships, shrill nationalism, vain strategies to dominate Latin America, a menacing accumulation of weaponry and the Falkland Islands conflict in 1982, disgraced Argentina for much of the post-war period. Former president Raul Alfonsin's effort to cleanse Argentina's soul collapsed amid hyper-inflation and military uprisings.

Argentina is now happy to accept the modest role in world affairs that befits a small nation sadly diminished by its own mistaken policies.

Mr Domingo Cavallo, foreign minister, said: "During the decades of economic isolationism [Argentina] created doubts about its position in the western world. Now the attitude is different. It wants to be a trustworthy partner in the international system we think will emerge after the Gulf [crisis]."

Diplomats often recall with shame Argentina's anti-American and pro-Nazi sympathies during the second world war and rue the cost of adopting a neutral foreign policy during the ensuing decades. They want to avoid a similar mistake with the loosely-defined group of western nations they believe will dominate the post-Cold War political and economic system in the same way as the United States dominated the world after 1945.


Seeking a new more positive international role: Argentina is sending navy warships to the Gulf

Argentine officials must have been thrilled to hear Mr Tristan Garel-Jones, a junior foreign office minister, say during a recent visit to Buenos Aires that the decision to join the Gulf forces "is as significant in Latin American terms as the collapse of the Berlin wall. This is the first reaction of consequence by a Latin American country to the new world order."

The broad outlines of the new foreign policy were laid down in the first months of the Menem administration last year, when talks with Britain over the Falkland islands began. Diplomatic relations resumed last July. Although Argentina still claims the islands, it has decided to put the claim on ice when discussing technical issues like fishing rights with the British. Above all, ties with Britain clear the final obstacles to a full relationship with the EC.

THE United States, once feared and loathed, has given Mr Menem strong support following his conversion last year to free market policies. Mr Cavallo, who is also a respected economist, says his foreign policy mirrors Argentina's economic policy: "We are establishing an economic system that has to be accompanied by a foreign policy to participate [in the world] like Canada and Australia, that have physical and human resources like our own."

Officials are careful to avoid creating expectations of a sudden inflow of investment capital, and trade and debt concessions from the developed world. Nonetheless, a diplomat commented: "They can't publicly imply or state there will a trade-off, but on another level, they hope there will be an impact – they sort of expect something."

Several items are of concern to Buenos Aires. At the top of the list is the future of the Uruguay round of trade talks. Argentina, like most exporters of foodstuffs, seeks elimination of US and European Community subsidies that distort trade in grains that make up most of Argentina's exports.

Officials claim subsidies cost Argentina $3.5bn a year. Argentina counts on US support in future debt reduction negotiations. Mr Cavallo hopes debt-equity conversions and a Brady debt reduction mechanism will halve its commercial bank debt in two years. And by signing investment protection agreements with developed countries he hopes to improve the investment climate.

LIKE most Latin countries, Argentina, once spurned investment as a threat to its sovereignty. However, as one Argentine observer commented, it will take time for the outside world to overcome misgivings "given Argentina's past bad record, and given that the economy is not stable, and that people are still not 100 per cent confident of the honesty and ability of the president's entourage."

He said during the annual World Bank and IMF meetings last month that "most people were talking about Mexico and Chile as investment possibilities, not Argentina or Brazil."

That is troubling, since Argentina and Brazil are reviving moribund plans to create a regional common market. Buenos Aires also recognises that its arms industry concerns the US and Europe.

Although Brazil and Argentina insisted their economic difficulties had reduced budgets for building atom bombs and strategic missiles, suspicions still linger. Both sides report significant advances in bilateral nuclear safeguards and "initial conversations" over curbing missile development.

Strikes prompt resignation of provincial governors

By John Barham in Buenos Aires

STRIKES and protest marches forced the governors of two Argentine provinces to resign on Tuesday, as their administrations sunk deeper into debt and disarray.

Mr Nestor Peri and Mr Ricardo de Aparici resigned as governors of the Patagonian province of Chubut and the north-western province of Jujuy. They will be replaced by their deputy governors.

People celebrated in the streets as the two men announced their departure. Mr Peri resigned as the local legislature decided to impeach him for embezzlement and maladministration.

Most of Argentina's 24 provinces face serious financial difficulties as revenues dry up and expenditure continues to rise. Governors complain that the federal government has delayed paying oil royalties and taxes it collects on their behalf.

Last year the federal government reduced regional development incentives, pitching local economies into crisis. President Carlos Menem blames the provinces for increasing, rather than reducing, expenditures as revenues decline.

Politically sensitive public sector wages absorb nearly all local government budgets.

Significantly, Mr Peri and Mr de Aparici belong to anti-government factions of the Peronist party, now dominated by Mr Menem.

The government is organising a rescue package for the provinces. A $100m (£51.5m) fund is to be created by advancing tax revenues. Provinces deemed to have stabilised their finances will be allowed more money, while those which have not will be penalised.

Ironically, when Mr Menem and Mr Erman Gonzalez, his economy minister, ran the province of La Rioja, the two men excelled at finding creative solutions for ballooning state spending, such as printing La Rioja's own currency.

UK NEWS

WAGE RESTRAINT

Employers join government in snub to unions

By John Gapper and Peter Norman

AN OFFER by the Trades Union Congress to join tripartite talks on how to moderate rises in unit wage costs after Britain's entry to full membership of the European Monetary System was rejected by the government and employers yesterday.

TUC leaders told the National Economic Development Council that a group of employers and union leaders should discuss pay and productivity as part of a national assessment of the effects of entry to the EMS exchange rate mechanism.

The offer, which they insisted did not mean they would accept cuts in real wage levels, was rejected without discussion by Mr Michael Howard, employment secretary, and leaders of the Confederation of British Industry.

Mr Howard said he was "not able to identify anything new that the TUC was offering". Mr John Banham, CBI director-general, said it seemed like "a replay of a broken gramophone record from the 1970s".

The meeting was warned by Mr Walter Eltis, director-general of the National Economic Development Office, that unemployment may have to rise by 500,000 in the next two years to reduce earnings growth in Britain to levels comparable with other European countries.

He estimated that earnings growth would fall to 8 per cent next year as inflation falls. But a further 2 percentage point fall would be required if British industry is to be competitive in Europe.

Union leaders said tripartite talks chaired by a minister could help labour market adjustment to ERM. Mr John Edmonds, leader of the GMB general union, said they wanted to work out a plan to help avoid the loss of jobs.

Mr Edmonds said the TUC was offering a fresh approach to pay bargaining. However, Mr Rodney Bickerstaffe, general secretary of the public sector union NUPE and chairman of the TUC economic committee, insisted that it meant "nothing in terms of wage restraint or sacrifice or cuts".

Mr Banham said he did not believe the TUC could deliver any offer of wage moderation. He said employers had to stick to local bargaining with unions because they knew best what level of wage rise they could afford to remain competitive.

Mr Howard also supported local pay bargaining. "We cannot have a pay norm across industry; when it has been tried in the past it has been disastrous. The sensible way forward is to have negotiations at local level," he said.

During the meeting, Mr Norman Willis, TUC general secretary, said unions and employers should enter a "social dialogue" on the effect of ERM entry. He said there was now an urgent need for a "top level" group to discuss it.

Mr Edmonds suggested that joint talks could have led to unions placing greater trust in forecasts of declining inflation. This might have led to lower wage demands, instead of ones based on the past year's inflation.

Unemployment 'may rise' to European levels

By Edward Balls

UNEMPLOYMENT in Britain may have to rise by 500,000 in the next two years to reduce earnings growth to levels comparable with other European countries unless there are changes in UK wage-setting, the National Economic Development Council was told yesterday.

Mr Walter Eltis, director general of the National Economic Development Office (Nedo), told the council that continued growth of earnings above 6 per cent, combined with a slowdown in overall productivity growth, would reduce the competitiveness of the UK.

Mr Eltis estimated that earnings growth will decline to 8 per cent next year as inflation starts to fall. But a further 2 percentage point fall in earnings growth will be required if UK industry is to remain competitive now that a devaluation of sterling is in effect ruled out by membership of the European exchange rate mechanism.

The effect of the exchange rate commitment will be to place downward pressure on profit margins and therefore wages. A loss of between 300,000 and 500,000 jobs may be required to moderate earnings growth by 2 percentage points.

Unemployment fears: Walter Eltis at the Nedo meeting outlines stark policy choices

A rise in the total unemployed above 2m is inevitable unless entry into the ERM alters the behaviour expectations of wage negotiators, Mr Eltis suggested.

International precedents are not encouraging. The trade-off between lower wage inflation and higher unemployment – the Phillips curve to generations of economists – is still as relevant as ever to wage bargainers and governments alike.

Unemployment in France rose by over 500,000 between 1983 and 1987 – following the country's entry to the ERM in 1979 – before French inflation fell to German levels. A similar rise in unemployment occurred in Italy over the same period.

However, Mr Eltis said Italy managed to reduce inflation from a higher starting point in that period, in part because the previous practice there of indexing pay to inflation was substantially reduced following ERM entry.

He argued that negotiators in Britain should focus on prospective inflation and increases in producer prices rather than the retail price index, which is currently rising 3 per cent faster, to achieve a similar effect.

Mr Eltis noted efficiency gains in the labour market over the past decade and welcomed efforts to introduce more flexibility into pay setting to reflect differences in the demand for labour across regions and skill types.

He warned, however, against the "dangerous practice" of linking pay increases to productivity gains within individual firms, which he said could lead to wage increases "largely unrelated to recruitment and retention needs".

Mr Eltis said productivity-based rises in manufacturing, where 20 per cent of the workforce is employed, tended to spread through the economy as other employers were forced to match them to recruit and retain employees.

He said this led to wage increases not justified by productivity gains, and so increased prices.

Productivity gains in manufacturing should be instead be reflected in lower prices, increasing international competitiveness.

The provision of better information on subjects such as regional costs of living, would make it easier for wage bargains to be sensitive to local demand conditions, Mr Eltis suggested.

Union leaders yearn for voluntary incomes policy

AS British employers and labour unions struggle to adjust themselves to wage bargaining within the European Monetary System, Mr Ken Gill, general secretary of the MSF general technical union, believes some union leaders have started feeling "a love that dare not speak its name", writes John Gapper.

That love is for wage restraint, in Mr Gill's view. He thinks they want to return to a voluntary incomes policy under which unions would moderate pay demands in line with nationally-set norms. The object would be to reduce the risk of unemployment under the EMS exchange rate mechanism.

Some union leaders, most notably Mr John Edmonds of the GMB general union, want changes in how wages are set. The Trade Union Congress' rejected offer to hold tripartite talks on subjects including pay, investment and training might have included discussion of inflation-linked pay demands.

The TUC is clearly not offering anything resembling a full-blown return to the voluntary incomes policies of the late 1960s. Furthermore, union leaders have insisted that a reduction in real wages would not form part of any talks with employers or government.

There remains considerable ambiguity about what the TUC means. Its paper at yesterday's meeting of the National Economic Development Council talked merely of the union movement being "willing to accept its responsibilities to avoid" costs such as inflationary pay rises.

At one extreme, Mr John Banham of the Confederation of British Industry dismissed this as being only "a broken gramophone record from the mid-1970s"; at the other, Mr Edmonds envisaged a group chaired by a minister trying to convince wage bargainers that inflation will fall.

This would not imply an abandonment of "inflation-plus" claims or a cut in real wages. It would merely avoid the "backward indexation" of wage claims to past inflation. Mr Edmonds says unions might accept rises below the historical rate of inflation if they believed the forecasts.

Mr Gill says some union leaders are "obsessed with the idea of talking to government" and doubts whether any wage agreement could be effective. "We cannot even agree on tiny things. The idea that we could reach a strategic agreement of that kind is silly," he says.

Insurance group to face DTI inquiry

By Richard Lapper

THE GOVERNMENT is to launch an investigation into London United Investments, the insurance group, more than seven months after its shares were suspended.

News of the inquiry comes a day after the administrators of a LUI subsidiary, HS Weavers (Underwriting) Agencies, announced that legal action was to be taken against former leading figures in the group.

LUI's troubles stem from the difficulties of its Walbrook Insurance subsidiary and six small reinsurance subsidiaries, which have been found to be under-reserved by as much as £100m for future claims. In the London insurance market LUI had been one of the most important insurers of "long tail" US liability business in which claims often arise many years after the policy was written. LUI specialised in providing insurance for doctors, accountants and other professionals all of whom have been hit by a growing number of court awards in an increasingly litigious climate. It was particularly badly hit from claims arising from policies written in the early 1980s when policies gave more generous coverage. Following the suspension of LUI shares in March, efforts by the company to raise fresh capital failed and the company called in administrators in May.

The Department of Trade and Industry has appointed Mr Angus Hugh Gilroy, of BDO Binder Hamlyn, the accountancy firm, as one of the two investigators who will examine LUI under the terms of section 432 of the Companies Act.

Pension fund row at Imperial Tobacco ends with court ruling

By Raymond Hughes, Law Courts Correspondent

PENSIONERS fighting over the future of the £1.8bn Imperial Tobacco pension fund yesterday claimed a partial victory in the High Court.

In a ruling with far-reaching implications for all pension funds, a senior judge held that a company had no power to state in advance that it would veto all proposed future pension increases.

Imperial pensioners had complained that the company, part of Hanson Trust, had ruled out future increases for fund members of more than 5 per cent.

During yesterday's hearing, Imperial claimed that it had not set its face "for all time" against higher increases.

In his ruling Sir Nicolas Browne-Wilkinson, the Vice-Chancellor – the senior judge of the Chancery Division – said the company must conduct itself in such a way as not to destroy the relationship of trust and confidence between employer and employee "without reasonable and proper cause."

However, he rejected the pensioners' argument that the fund's management committee could grant increases without the company's consent.

The matter had gone to court because of a dispute over Imperial's plan to give the 26,000 members of its pension fund – which was closed as a protective move when the group was taken over by Hanson in 1986 – the option to transfer to a new open scheme.

The old fund appeared to restrict inflation-linked increases to 5 per cent. The new scheme, on the other hand, guarantees future increases of up to 15 per cent, but would be open only to pensioners opting to take immediately a reduced pension.

Most of Imperial's 4,284 employees, and more than half the pensioners, have accepted the new offer.

Some members of the old fund contended that the new scheme was unnecessary since the rules of the old one permitted the committee to give increases above 5 per cent without the company's consent.

They suspect a ploy by Imperial, and through it Hanson, to gain access to the sizeable surplus in the old fund.

The company denies any such intention.

During the hearing, the judge said the company's aims were "shrouded in mystery" but that all the evidence suggested its objective was to decant the closed fund into an open fund and thereby reduce its contributions to the new scheme.

He said he was at a loss to know why the benefits increases, which the company insisted could be provided by the new scheme, could not be provided by the old one without members having to transfer.

Mr David Russell, solicitor for a fund member, described the judgment as being "a landmark in controlling the activities of companies who hitherto have had a tendency to regard pension funds as being mere pawns in the market place."

Companies required to provide statistics

By Peter Marsh, Economics Staff

MANY of Britain's biggest companies will from next year have to give the government detailed financial information about business performance every quarter as part of an effort to improve economic statistics. Companies that do not comply face the prospect of fines.

The Central Statistical Office plans to introduce the new statutory surveys to meet criticism over the accuracy of its financial data from the corporate sector.

The information from the surveys will help to calculate such economic indicators as growth of output and demand, and the size of Britain's balance of payments deficit.

Lack of up-to-date and reliable information, particularly details of share ownership and the build-up of stocks, is thought to have contributed to large errors in the government's economic statistics. These have misled the government about the state of the economy and may have led to poor policy decisions, in such fields as tax cuts.

Up to now the CSO has relied on voluntary surveys of companies for much of its information. But the CSO says not enough companies have co-operated with these exercises to make results valid.

The Confederation of British Industry and the Institute of Directors welcomed the move. Both said it was important to gain better UK economic data, though the Institute said it hoped that the new statutory duties would not impose too great an administrative burden on companies, or breach business confidentiality.

British Gas plans power generation

By David Thomas, Resources Editor

BRITISH Gas, the national supply company, is planning a large move into power generation in order to take advantage of the new competition in the electricity industry.

The company, traditionally electricity's main competitor, wants to enter joint ventures with the soon to be privatised regional electricity companies, as well as to run power stations itself.

British Gas's ambitious plans to diversify into power generation were set out yesterday by Mr Robert Evans, the company's chairman, in a speech to an Institute of Energy conference in London.

"British Gas intends to become proficient in handling all aspects of the power generation market," Mr Evans said.

He added that the company had set up a power generation directorate to "provide a complete service, including design, construction and operation of power stations and in yet other cases we will be joint venture partners."


Robert Evans

One of the main impacts of electricity privatisation has been to encourage interest in burning gas to generate power, since it is cheaper and more environmentally friendly than traditional fuels.

British Gas believes that gas-fired stations will result in electricity generation consuming 3.8bn therms of gas a year by 1997 – equivalent to about a fifth of current UK gas consumption.

This would mainly result from the projected construction of 15 new large gas-fired power stations, with the rest coming from a large expansion of combined heat and power (CHP) schemes for business customers.

Mr Evans indicated that British Gas hoped to enter joint ventures with the regional electricity companies to build power stations, but also intended to run at least one station by itself.

Turning to CHP schemes, Mr Evans said British Gas was considering "a number of large scale power generation prospects which are likely to be developed in conjunction with others on an equity participation basis."

Mr Evans recognised that CHP could involve large capital outlays for business customers.

British Gas was therefore prepared to arrange financial packages for customers wishing to generate their own electricity.

"These may take the form of lease arrangements or could involve some British Gas equity participation," he said.

In addition, British Gas would also pursue electricity generation opportunities outside the UK, Mr Evans said.

Mr Evans argued that there were sufficient gas reserves worldwide to cope with an upsurge in gas-fired power stations, but he added that Britain would need to "plan now for a judicious mix of indigenous and imported supplies (of gas)."

Government tries to curb council spending

By Philip Stephens, Political Editor

THE Government yesterday sought to impose sweeping new curbs on local authority spending to hold down the level of next year's community charge – the controversial new local tax.

The government will do this by setting out in advance a sliding scale under which high-spending councils will face progessively tighter limits on "overspending".

The decision marks the abandonment by Mr Chris Patten, the Environment Secretary, of one of the central principles behind the replacement of domestic rates – the need to increase local accountability.

It also reflects the severe political damage to the Government by the charge, also known as the poll tax which pays for local services and amenities, in the run-up to the general election.

It seems unlikely, however, to prevent an increase in the average poll tax bill from £357 this year to around £400 next April.

Mr Patten combined the threat of extensive "capping" of local authority budgets with confirmation that the Uniform Business Rate (UBR) – the local taxes paid by businesses – will rise in line with the current inflation rate by 10.9 per cent next year to 38.6p in the pound.

There will be much sharper increases for businesses in southern England because of the rating revaluation which accompanied the introduction of the UBR.

Some - mostly in the retail sector - will face increases of up to 33 per cent, though these will be offset by reductions in real terms for many companies in central England and the North.

Mr Patten emphasised that manufacturing industry will remain a beneficiary of the changes, but the 10.9 per cent increase was attacked as an inflationary "own goal" by the CBI. The UBR would add £1bn to business costs next year, it said.

When the Government abolished domestic rates it said that the poll tax would make councils accountable to their electors by ensuring that extravagant spending would result in much higher bills.

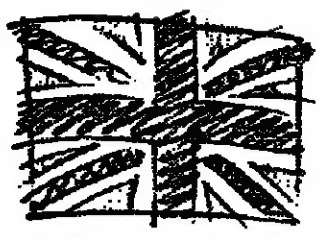
The political judgment now is that it is essential to impose overall curbs rather than rely on local electors to respond by voting high-spending councils out of office.

In his lengthy statement to the House of Commons - which drew fierce attacks from Labour and a muted welcome from Tory MPs - Mr Patten confirmed that the Government would add £3bn to its support for local authorities next year. In total it will provide £26bn of the £39bn it estimates they need to spend, with the remainder coming from the poll tax.

On average that should allow the authorities to increase their budgets by 7 per cent - significantly less than the current rate of inflation.

ends

BRITAIN IN BRIEF



TV channel licences to be tendered

Channel 3 (ITV) licences will be awarded in the second half of January by competitive tender, the shadow Independent Television Commission confirmed.

The announcement came after the Broadcasting Bill completed its final stages in parliament. The Bill will receive Royal Assent today before parliament is prorogued.

The closing date for bids will come around the end of April and in the following autumn the ITC will announce the winners of a new 10-year franchise to run from the beginning of 1993.

Go-ahead for North Sea field

The go-ahead for the development of the Staffa oil field in the North Sea has been given by the government.

The field, which is estimated to contain recoverable reserves of about 10m barrels of oil, is expected to produce 8,000 barrels a day from 1991. The field will be operated by LASMO, which owns 60 per cent, with the other 40 per cent held by Ranger Oil.

Housing need for countryside

Urgent steps are needed to increase the supply of low-cost housing in the countryside, Lord Shuttleworth, chairman of the Rural Development Commission, has said.

"The population of rural counties has increased by over a million and this trend, combined with other factors, has produced a rural housing crisis," he said at the launch of the commission's annual report. A recent study for the commission estimated that at least 23,000 additional homes a year were needed.

HSE under fire from Labour

The Labour party has demanded the resignation of the Health and Safety Executive's director, Mr John Rimmington, following publication of an ombudsman's report which strongly criticised the executive.


John Rimmington

The report by Mr William Reid, the parliamentary commissioner, upheld a complaint that the executive had failed to carry out its responsibilities in ensuring full monitoring of lead levels at a battery factory. Employees' health was put at risk as a result, it said.

Nuclear safety scale try-out

Britain's nuclear power stations are to try out a standard scale for reporting nuclear accidents and incidents, the government has announced.

The seven-point scale, akin to the Richter scale used for earthquakes, was first unveiled by the UK nuclear power station operators in May. The scale is designed to help the nuclear industry communicate safety information more effectively to the public.

Britvic parts from Perrier

Britvic, one of Britain's leading soft drinks companies, is to end its distribution of Perrier water and replace it with Ballygowan Spring, the leading brand of Irish bottled water.

The move, effective from January 1 next year, will be a setback to Perrier's recovery in the UK market after the withdrawal of the French bottled water earlier this year because of benzene contamination.

Fuji funds Japanese chair

Fuji Bank, one of Japan's largest commercial banks, has made a donation of £750,000 to Cambridge University to fund a new lectureship in modern Japanese studies. The donation marks the 110th anniversary of the bank's foundation and the relocation of its European affairs bureau to London.

Museums in the doldrums

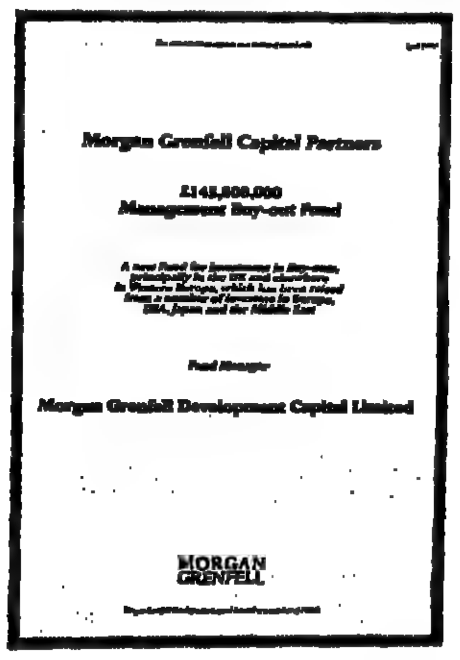
The nation's independent museums, which number more than a thousand, are closing at the rate of one a month, unable to compete with more enterprising heritage attractions, theme parks, and leisure centres. This was the grim news presented by Mr Peter Longman, director of the Museum and Galleries Commission.

Although the number of visitors to museums has risen by 5 per cent in the 12 years up to 1988, the average attendance has dropped from 72,000 in 1978 to 48,000.

A SERIES OF FIRSTS

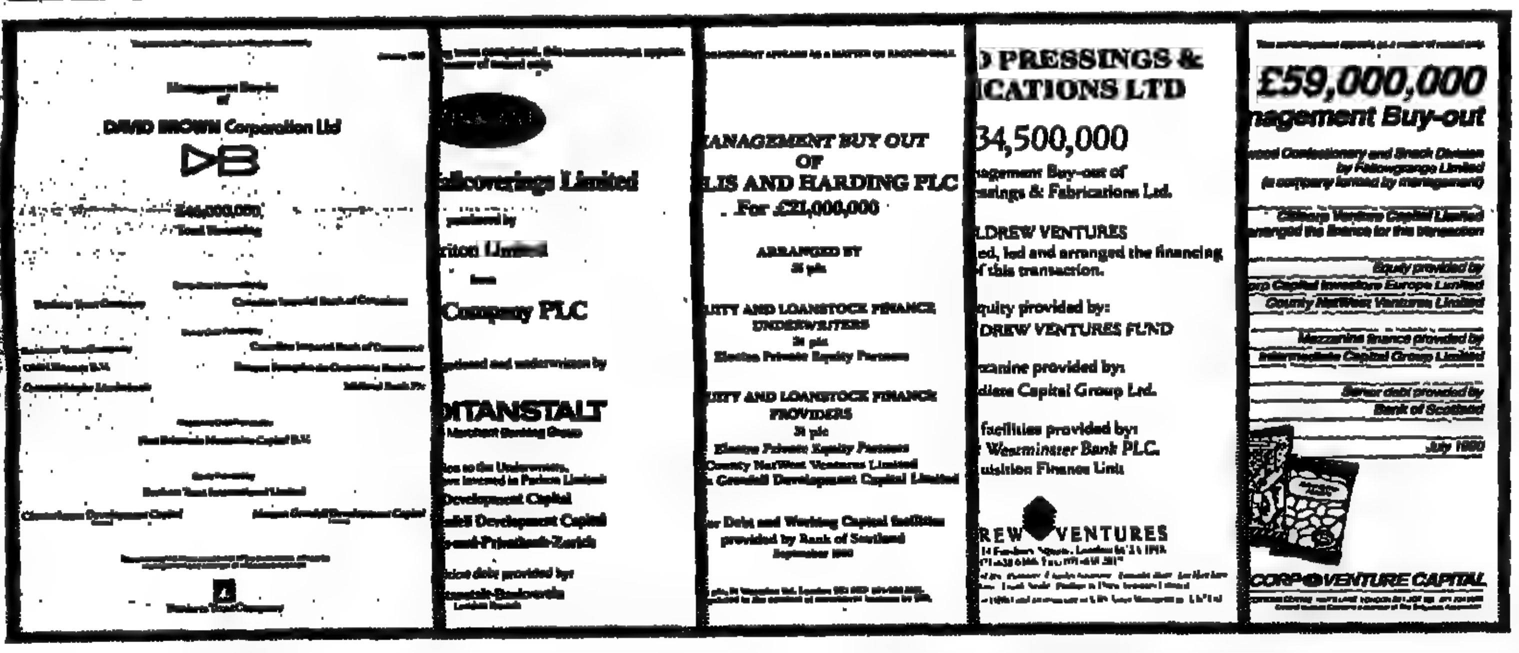
FIRST DAY

In November 1989 Morgan Grenfell added an important new initiative to its business development with the establishment of a new subsidiary Morgan Grenfell Development Capital which provides equity capital for growing private companies and arranges and finances management buy-outs and management buy-ins.



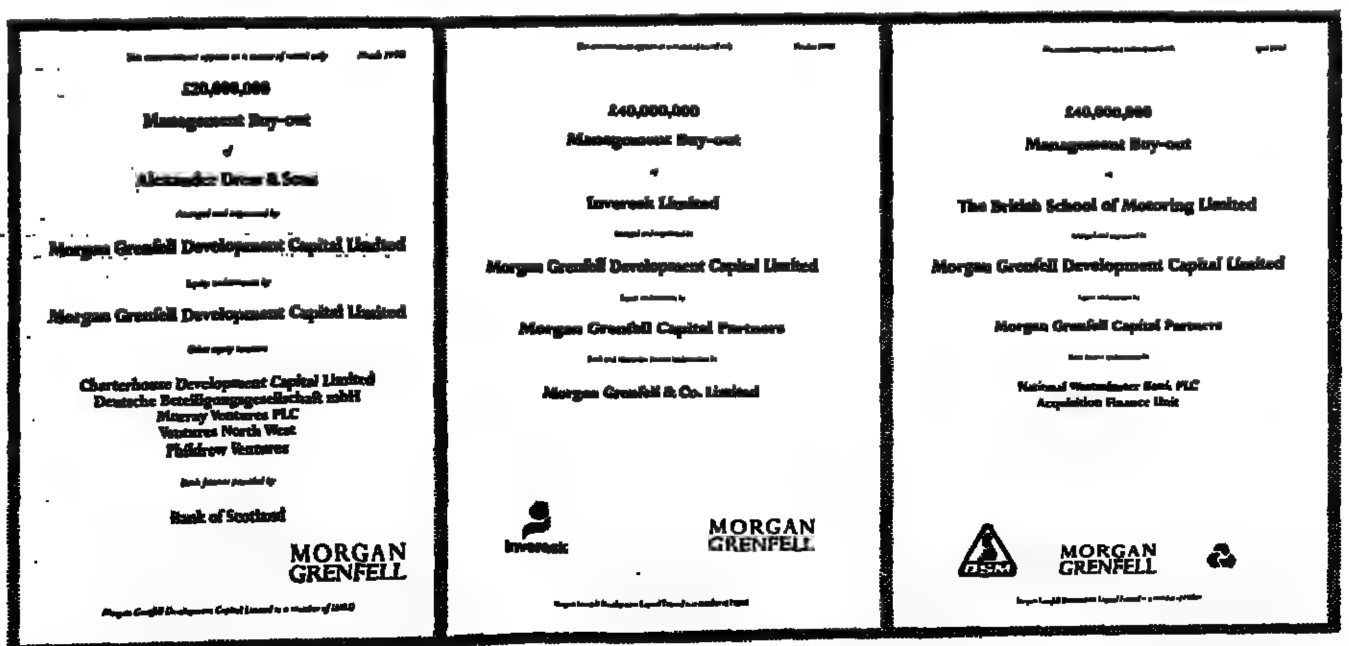
FIRST FUND

Thirteen major international investors participated in Morgan Grenfell Capital Partners, a £145 million fund managed by Morgan Grenfell Development Capital for investment in management buy-outs in the UK and Western Europe.



FIRST INVESTMENT

Morgan Grenfell Development Capital's first investment was in David Brown Corporation Ltd. It has made four further investments in transactions led by other major institutions.



FIRST LEAD

Morgan Grenfell Development Capital led negotiations, underwrote the equity investment and arranged the total financing of three significant UK management buy-outs — Alexander Drew & Sons, The British School of Motoring Limited and Inveresk Limited.

A YEAR OF ACHIEVEMENT *1 NOVEMBER 1989 - 1 NOVEMBER 1990*

For further information on Morgan Grenfell Development Capital Limited contact Susan Deacon on 031-557 8600

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MANAGEMENT: Marketing and Advertising

Disney takes Pluto pound-hunting in Regent Street

The London shop is integral to the US group's worldwide strategy, but, **David Churchill** reports, its plans may be upset by a recession in leisure spending

The opening of a retail store in central London this Saturday selling cartoon videos, Christmas gifts, and cuddly toys might normally attract little attention in the run-up to Christmas.

Apart from being opened by Mickey Mouse himself, not only is the store the first of the Walt Disney company's scheduled European retail ventures but it is also larger than most of the 75 Disney stores already operating in the US. So the razzmatazz surrounding the opening is understandable.

Walt Disney World in Florida is the most popular single overseas destination for British package holiday-makers after Majorca in Spain, so The Mouse is enormously popular with Britons. Yet the store – which opens unofficially today in preparation for Saturday's launch – is not an isolated attempt to cash in on The Mouse's familiarity; rather, it is the tip of a carefully co-ordinated cross-marketing campaign intended to exploit fully the Disney brand name and maximise its profit potential worldwide.

"We have a clear goal that every part of the Disney operation should not only make money but should also be used to support each other as much as possible," explains Jack Myers, Walt Disney's vice-president in charge of international marketing.

"Corporate synergy" is, according to Disney insiders, the latest buzz-word among marketers at company headquarters in Burbank, California, and at the Orlando and Paris theme parks. Traditionalists among Disney's employees would begrudge the constant pursuit of every dollar (the company even prints its own bank-notes for use within its theme parks) by milking its stable of cartoon and film characters for all they are worth.

Alan Harper

Disney milks its stable of cartoon and film characters for all they are worth

But the acceleration of Disney's growth over the latter 1980s – turnover tripled between 1984 and 1989 to \$4.6bn, while earnings climbed sevenfold to \$703.3m – has forced the company into three fairly autonomous divisions simply to manage the company's increase in size.

The three Disney areas of operation are the theme park attractions (in Los Angeles, Orlando, Tokyo and soon Paris); the film studios (it is now Hollywood's number one film production company); and consumer products, ranging from everything from videos to collectors' items such as film "cels" – individually painted celluloid film stills – from Disney's animated movies.

Disney's marketing determination, however, is not based purely upon its corporate belief in itself as the world's largest leisure and entertainments group. Chief executive Michael Eisner and chief operating officer Frank Wells took charge at Disney in 1984; they are well aware that their spectacular successes of the late 1980s (which have also made them America's highest paid executives) have been founded on an unprecedented consumer boom.

Yet with the Gulf crisis exacerbating fears of a worldwide recession, Disney could be headed for rougher times. Theme parks, which account for almost two-thirds of operating profits, are the most vulnerable. "Attendances have declined during every recession over the past 20 years and almost certainly would again in another recession and rising gas prices," points out Mary Kukowski, a leisure analyst with New York brokers Bear Stearns.

Launching the Euro Disneyland development outside Paris in just 16 months' time in the teeth of a Europe-wide recession could damage Disney.

Such a scenario is sufficient to spur Disney executives into new marketing deals with even more fervour. Last week, for example, Robert Maxwell's consumer publishing division paid handsomely for the licence to publish all Disney children's magazines in the UK. This followed a similar deal struck with Ladybird books to publish Disney books for children and teenagers.

Publishing ventures such as these are an integral part of Disney's European strategy for keeping the Disney brand strong, not only to support the launch of Euro Disneyland in 1991 and the American theme parks but also as an important source of revenue in its own right.

Capturing the loyalty of children is obviously vital to Disney's future, both in the short term for sales of cartoon videos and cuddly toys and also with the longer-term aim of repeat visits to the theme parks for them and their children.

Disney, not surprisingly, has embraced television as one of the key means of reaching its target customers. In the US it has its own cable channel featuring classic and new Disney films and cartoons as well as the perennially popular Mickey Mouse Club.

In Europe, plans to repeat the success of the dedicated Disney channel on Rupert Murdoch's Sky television were abandoned because Disney executives feared it would reach too few consumers. Instead, Disney has negotiated with television stations in nine European countries to air a regular Disney Club show (ITV on Sunday mornings) apart from showing other Disney programmes.

"The Disney Clubs are an important part of keeping our target market in Europe aware of what is happening at Euro Disney," confirms Jean-Marie Gerbeaux, Euro Disneyland's marketing vice president. He acknowledges that this was exactly the technique pioneered by Walt Disney himself when progress at the Disneyland theme park under construction was shown on the weekly Walt Disney Show in the early 1950s.

So popular is Disney on television that even the BBC, piqued at losing the Disney Club to ITV, has been forced to bring back Disneytime, a favourite Bank Holiday programme after quietly dropping it for the past two years.

Disney was also one of the pioneers of successful cross-marketing from television to the shops, a technique which is now standard marketing practice. The legend of Davy Crockett, fighter of Red Indians, was well and truly established in American folklore through the television show Disney produced (at a loss) in the mid-1950s; but the sale, under licence, of coonskin hats as worn by Davy Crockett – and the number one hit in the US, The Ballad of Davy Crockett, published by Disney's new records operation, earned the company substantial profits and turned the show into a financial success.

The same cross-marketing approach is still applied nearly 40 years later. The profitability of Disney's Dick Tracy film, for example, depended as much on merchandise sales as on box-office receipts; in fact, the concept of Dick Tracy was developed more as a marketing product than a faithful recreation of the original 1930s comic strip hero.

"With something like Dick Tracy all the marketing people from the various divisions sat down and thrashed out ways in which they could help promote the film or sell the merchandise," explains Myers. "It's a pretty informal arrangement for special projects such as Tracy, but we also get together once a month on a more formal basis to develop ideas."

Disney's success, moreover, is partly due to its culture of making its employees actually *want* to ensure the company does well. "If you don't have this attitude then you don't fit in at Disney," says one insider.

One result from its internal marketing seminars has been an experiment with a television advertising campaign, just finished, in the TVS advertising region. The aim was to see whether paid-for television commercials (as opposed to the free plugs given by the networks) would boost sales of packages to Walt Disney World. Disney says it is too early yet to quantify the correlation between sales and advertising.

Disney is currently choosing an agency in a four-way pitch to mastermind its advertising campaign for Euro Disneyland. Most of this advertising, however, is expected – at least in the near future – to be aimed at the trade rather than the consumer.

This approach emphasises that Disney's marketing is not always directly targeted at consumers. Next month, for example, it is launching a roadshow at the World Travel Market in London to tell travel agents about developments at Disney both in the US and Paris. The roadshow then takes off for repeat performances to the travel trade across the continent. It is being backed up by a network of sales offices across Europe which will start selling packages to Euro Disney from next Spring.

But while Disney is the master marketer at selling children's fantasies, it is also a tough fighter when it believes its brand is being threatened. Rated the seventh most well known brand name in the world in a survey by Landor Associates (and the most popular entertainment brand name), Disney employs teams of lawyers to fight any breach of its copyright or infringement of its licensing agreements. Its control also extends to its restriction of the use of pictures of Mickey Mouse and friends in licensed promotional campaigns and holiday brochures for fear of over-exposure.

Yet for all Disney's much-vaunted marketing skills it has consistently failed to achieve one simple communications goal; the name Mickey Mouse, instead of acknowledging the very high standards of service that Disney represents, has entered the language on both sides of the Atlantic as meaning shoddy. Which just goes to show that even clever marketing does not always work.

Shopping around for east Europeans

John Thornhill on reports discounting the impression of a homogeneous market

After decades of neglect, that unknown quantity, the east European consumer, has suddenly become an object of extreme interest to Western companies.

The opening up of the region has raised the prospect of a bonanza in Europe's backyard with up to 425m people eager – if not desperate – to buy Western goods. The main problem is that most Western companies know next to nothing about these consumers, and find it almost impossible to obtain accurate information about these evolving markets.

Much of the standard information needed for marketing studies is not available and what data does exist is often unreliable or inapplicable.

Two recent marketing reports have attempted to tackle the problem, albeit from very different angles. Both offer some useful insights. But both also hedge their comments with qualifications, and emphasise just how difficult it is to generalise from the particular.

One of the striking features to emerge from these studies is the differing nature of the national markets. The seemingly grey conformity of the communist bloc only served to disguise many distinctive regional characteristics.

For example, according to the consumers interviewed for the Signal report,* only 20 per cent of Russians owned a car compared with 80 per cent of East Germans.

In general, Signal found that east Europeans spent about 40 to 50 per cent of their income on food and drink, 10 to 15 per cent on utilities, 5 to 15 per cent on housing and saved the remainder.

Signal's report is based on 100 interviews conducted between June and September this year in each of the six eastern European countries studied. The respondents lived in cities and were aged between 16 and 55.

The Euromonitor report** adopts a more analytical approach in trying to assess the relative attractiveness of east European markets at the macro level.

But this report, too, points to strong national variations and arrives at some surprising conclusions. Bulgaria, it suggests, has attracted less attention than it merits; it has a healthy population profile, strong transport links, a potentially buoyant tourist industry and one of the highest per capita incomes in the region.

The Hungarian market, which has always received favourable comment in the West, may disappoint potential investors in the immediate future as essential price reforms threaten to depress private consumption.

The report also suggests that, in the short term, only east Germany, Poland and Czechoslovakia are likely to expand their demand for consumer durables and other imported goods. In the other countries of eastern Europe, the real level of demand, after inflation, is expected to slump as the liberalisation of prices spurs inflation.

Although some of the current euphoria about eastern Europe may be misplaced in the light of the enormous political and economic hurdles that have still to be tackled, Euromonitor believes that the potential for growth is enormous and that those which risk opening up operations in most countries in the region in the near future will start to enjoy a pay-off by the end of the decade.

In the medium term Euromonitor expects a substantial increase in the demand for agricultural equipment, pharmaceuticals, computers, video recorders, photocopiers and telecommunications equipment throughout the region.

Sadly, the one exception to the rule, Signal suggests, may prove to be Russia (not studied by Euromonitor). Only 19 per cent of the Russian sample said they were satisfied with life and 76 per cent of the total expected life to get worse. Not surprisingly, perhaps, the east Germans were a cheerier bunch with 82 per cent expressing satisfaction.

**Perestroika: The Consumer Beckons. Signal International, 115-116 Newgate Street, London EC1A 7AE. Price £5,000.*

***Eastern Europe: A Market for the 1990s. Euromonitor, 87-88 Turnmill Street, London EC1M 5QU. Price £375.*

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FINANCIAL TIMES THURSDAY NOVEMBER 1 1990

ARTS

Birmingham Royal Ballet

HIPPODROME, BIRMINGHAM

And so, there they were on their new home stage on Tuesday night. Renamed, increased in number, plainly delighted with the occasion, and greeted with no less delight by their audience, the artists of Birmingham's Royal Ballet showed their host city why we admire and respect them so much, and rejoice at their new identity. It was an historic evening in its implications for Birmingham and its ballet. Gratitude must go to the City Fathers for seizing the opportunity; admiration must go to Peter Wright for having guided and shaped a company that is valued for its enthusiasm and artistic purpose. And thanks to Midland Bank and IBM for sponsoring this initial season – long may their support continue.

These bouquets bestowed, and gratefully so, it is good to report that the evening showed the company in fine form, technically and artistically. A masterpiece from the international repertory – Balanchine's *Theme and Variations* – was given with assurance. A new work – David Bintley's *Brahms Handel Variations* – came from a choreographer nurtured by the company. And there was a piece by one of the founders of our national ballet – Ashton's *Jazz Calendar*. It is this sense of repertory purpose, quite as much as the willingness and skill of the casts to deal with varied demands, that gives BRB it especial cachet as an ensemble.

Theme and Variations was the staging that proved, for the first time in years, that our dancers could perform Balanchine without making the heaviest weather of each light-filled sequence. Led with dazzling grace and lovely ease – small things delicate, precise; large things effortless – by Miyako Yoshida, here was the right performance to christen the new company. A change of score meant that David Bintley's new piece was also in variation form. Set for four couples and sixteen attendant soloists, this realisation of the *Brahms Handel Variations* – in Rubbra's orchestration – finds Bintley at his most fluent in making plotless dance. A first impression is of allegro movement which jets and sparkles over the stage, with Bintley ever on the qui-vive to maintain variety of interest.

The score is at moments turgid, and the choreography flags, but at what is its most taxing section, the lengthy closing fugue, Bintley maintains a lively dance energy that rises above the academic interplay of fugal voices. He brings the piece to an exhilarating conclusion. Design, by Maria Djurkovich seems to have gone off at half-cock. The vertiginous upward view of Bibiena pillars does not really work in combining a painted backdrop with practical wings. (Terry Bartlett's similar set for Bintley's *Consort Lessons* could have served well here). And a second back-drop for the concluding sequence seems unnecessary. The women are in full-skirted but rather nondescript dresses, the men in many-buttoned jackets which fit where they touch, with high collared shirts that cut off heads from necks. Dancing from the cast is whole-hearted in its bold impulse and clear outlines.

Jazz Calendar, new to the BRB repertory, was originally a series of quick portraits of Covent Garden's principals done by Ashton in vernacular style in 1968. Design by Derek Jarman was late-1960s Pop, and as lightweight as the dances. Much of the savour has now gone from the choreography because – as often with Ashton – it was intimately linked with the personalities of its creators. Without this aptness, movement looks colourless, and the Richard Rodney Bennet score sounds meretricious. But the piece is an audience-pleaser, and when the new interpreters have got inside their roles – at present they dance them with too serious an air – the choreography will be more relaxed and credible.

I record that the playing by the BRB orchestra under Barry Wordsworth was admirably alert, and that the audience's pleasure in the evening was strong and seemed to communicate itself to the company. To BRB in its new home, and with its happy prospects, every joy and success.

Clement Crisp

The Mystery of Irma Vep

AMBASSADORS THEATRE

The Mystery of Irma Vep is a product of the late Charles Ludlam's Ridiculous Theatre Company in the US, but there is nothing ridiculous about it: "brilliant" would be a much better word. There is not all that much mystery either, except perhaps in the title. Irma Vep is an anagram of vampire.

The play, written by Ludlam himself, is a Victorian-style melodrama laced with literary quotations and the highest of high camp. It sparkles throughout. The plot relies heavily on lycanthropy, which means that form of insanity where people imagine themselves to be wolves, and Egyptology. The two have a good deal in common, for if you believe that ancient Egyptian mummies can be brought back to life, you may also believe that people can turn into werewolves at night, at least under a full moon.

The action moves between an English country house (almost a castle) wonderfully furnished in the gothic way and somewhere close to the valley of the kings in southern Egypt. Lord Edgar is the Egyptologist who has never visited the country he writes about. At home he is plagued by a werewolf which has killed his son and his first wife in turn. His new wife does not much like the atmosphere so Edgar goes off to explore the mummies that he has only studied at a distance. When he comes home, everything begins to fit into place.

Irma is played, remember, as a melodrama. The characters do actually proclaim lines like "Great Scot!" and "I feel the desert calling me" with the utmost seriousness. There is also the right quotient of the macabre. Both the son and the werewolf who kills him, for instance, are called Victor. Flowers jump out of pots while being arranged.

Literary references pop up all over: "Each werewolf kills the thing he loves", "She have murdered sleep" and when Edgar brings the mummy to life and finds she is hungry he goes straight into Omar Khayyam – "a loaf of bread... a flask of wine".

More modern devices are used as well. The indications of a change of scene appear on a screen like credits in the cinema. A screen is used again to show the symbols of Egypt: camels, pyramids and palm trees. There is, too, a touch of farce: witness the speed of some of the changes of costume and the way they use the entrances and exits. Even Ray Cooney might have something to learn.

Irma, in short, is a delight and the gothic set designed by Poppy Mitchell is faultless down to the last detail. The play is directed by Maria Aitken who has managed to combine this with playing in *Other People's Money* at the Lyric. Only two actors, Nickolas Grace and Edward Hibbert, can be named for their performances. When you the see the play, as see it you should, you will realise why. Grace and Hibbert do the work of an entire company. They could hardly do it better.

Malcolm Rutherford

CINEMA

Mafia spoof

It is easy to see why Marlon Brando chose *The Freshman* as the second stage of his recent return to the screen. Although the film itself is a bit too uneven to be first rate, it does provide the notoriously bumptious Brando with the opportunity to have some wicked fun with his own legend. His strikingly familiar portrayal of the ageing raspy voiced Mafia boss Carmine Sabatini is an inspired piece of self-parody, providing a strong centre for a film that gives an alternative, satirical angle on the recent spate of mob movies.

The Freshman tells the story of Clark Kellogg (Matthew Broderick), a naive young man who travels to Manhattan to study film at NYU. Within minutes of his arrival at Grand Central Station, he is conned out of all him money and possessions by a small-time hood, Victor (Bruno Kirby). The freshman manages to track Victor down, yet discovers his money has been squandered. In recompense he is offered a job working as a gofer for Victor's uncle, Don Carmine. The plot thickens precipitously, soon involving the student in the illegal transportation of a truculent reptile, an affair with the Don's lovely daughter, a murder plot by crooked cops, and a perverse gourmet dinner in which only endangered species are on the menu. As events drag him along, Kellogg develops an unexpected affection for Don Carmine, who becomes the father the boy never had.

Although the story resolves itself with less aplomb than it unfolds, writer/director Andrew Bergman has fashioned a script of admirable pace and wit. The film contains many fine comic set pieces, not least of which involves an attempt to place a seat belt on a giant lizard. *The Freshman's* main strength, however, is the way it pokes fun at the gangster movie genre, while still serving as an engaging example of it. The netherworld into which hero Broderick descends is a quirky and strangely benign place, where sentiment and loyalty replace vengeance and bloodshed as supreme virtues, and the absurd constantly overrules the tragic. There is a running joke through the film comparing it with *The Godfather*, not only in Don Carmine's unsurprising resemblance to Don Corleone, but also as Kellogg studies Coppola's classic in his film course, finding in it ironic resonances with his own plight. It is a shame Bergman did not have a better director for his script – his own direction is too static and visually calm to match the frenetic invention of his writing. Still, he has created a movie in which gentle sentimentality, raucous humour and knowing irony are carefully mixed.

The actors move through the film somewhat unevenly. The normally winsome, wide-eyed Broderick is strangely flat here, perhaps overwhelmed by the task of playing opposite Brando. Maximilian Schell travels to the other extreme in response to Brando's presence, hamming it up embarrassingly as a demented chef. Only the reliable Kirby gives a strong supporting performance. Of course it is Brando who grabs centre screen, balancing the considerable self-parody of his performance with sensitivity intelligence and even melancholy. There is a short scene in which the massive actor performs a tender *pas de deux* on skates, managing to be both graceful and absurd. He looks like some regal whale caught on the wrong side of a frozen sea. Watching him glide, you marvel at his ability to laugh at his legend, yet are left in no doubt as to what that legend is all about.

Wicked fun with his own legend: Marlon Brando in 'The Freshman'

Young Guns II: Blaze of Glory deals rather less successfully with another American legend, Billy the Kid. Viewers of the original *Young Guns* will recall it ending with Billy (Emilio Estevez) and his gang dispersing after the bloody Lincoln County Cattle War. Here, the gang regroups for one last ride in which they are forced to flee a host of corrupt ranchers, politicians and lawmen en route to a decisive showdown with Sheriff Pat Garrett.

Despite the noisy gunfire, slick camera work and rock 'n 'roll soundtrack this is in fact a little more than the sort of standard shoot-'em-up Western that Hollywood appeared to have stopped churning out 30 years ago. Estevez's Billy lacks the psychotic sparkle he brought to the original film, where he came across as a mix of Roy Rogers and Charles Manson. The rest of the cast, even such unusually steady hands as Keifer Sutherland and Lou Diamond Phillips, seem similarly weary, wondering perhaps why they ever decided to saddle up again.

Stephen Amidion

THE FRESHMAN
Andrew Bergman

YOUNG GUNS 11: BLAZE OF GLORY
Geoff Murphy

THE HANDMAID'S TALE
Volker Schlöndorff

BULLSEYE
Michael Winner

Come the revolution – one where right wing Bible thumpers take over America, and rename it Gilead – which side of the barricades will you be? If you are a woman it will not matter very much. The choice is between inert privilege for those with the right husbands and expendable sterility or exploitable fertility for the rest. This near future is in chaos because man-made disasters like nuclear accidents have destroyed resources, and led to mass sterility. And when progress fails, it is back to the drawing board for society, with the Book of Genesis for inspiration.

The society Margaret Atwood created in her novel, *The Handmaid's Tale* was designed to demonstrate the furthest extremes of the objectification of women. The fact that it was a creative piece of science fiction was incidental. But in film the visible and tangible dominate ideas, and it is not too surprising that a novel about a woman's conflict and alienation has become a film concerned more with plot than with internal struggles. And *The Handmaid's Tale* is a staggering story. Kate (Natasha Richardson) the film's heroine, remembers a better time, when she had a life and a mind of her own. Now, as a hand maid, she is not expected to speak or think, or ask what happened to her husband and daughter. Her role is to bear a child for the barren wife (Faye Dunaway) of her Commander, who naturally hates her with passion. Kate is trained to be unobtrusive, she is even renamed Ofred, property of Fred, the Commander (Robert Duvall). But it is hard to make yourself scarce when you are dressed in the livid red robes of fecundity. The Commander is soon infatuated with her, and so is her chauffeur, who or may not – help her escape.

This nightmare world of an uncommunicative, oppressive hierarchy is vividly captured by director Volker Schlöndorff and director of photography Igor Luther. In the round-ups of women, the massed gatherings, the public denunciations – the noise and confusion contrasting with quiet echoing dormitories and lifeless houses – there is a sense of isolation, whether in a crowd or alone. And the cast is strong, with excellent supporting performances, especially from Victoria Tennant as a chillingly benign supervisor.

Books, those treacherous conveyors of information and ideas, are banned; and in this respect *The Hand Maid's Tale* is reminiscent of *Farenheit 451*. But where Truffaut retained the passions of the original story, here the balance of ideas and incident in Harold Pinter's script has been distorted into a good film that does not quite do justice to its source.

Too much plot and not enough ideas is the problem of *Bullseye*. A comedy starring Michael Caine and Roger Moore has definite possibilities, but the direction of Michael Winner eliminates any promises of fun or style. This deliberately confusing caper about two con men who just happen to be the doubles of two crooked scientists, is almost too tiresome to mention. If Caine and Moore want to dress up in silly clothes, chase about making jokes about kilts and capers, and creaky sexist remarks, they might have done better to remember that Christmas is coming, and with it the chance of employment as a couple of pantomime dames.

Ann Totterdell

Attila

COVENT GARDEN

My excuse for catching up with the superlative Royal Opera production of Verdi's opera was a pair of important cast changes due on Tuesday. In the event, the Italian tenor who was to have replaced the Italianate Welsh tenor couldn't come; and though the young Armenian bass-baritone Barseg Tumanyan did take over the title-role from Ruggero Raimondi, he had already substituted for him once last week.

So Dennis O'Neill remained as Foresto, defending Aquilees against the Huns. Perhaps Tumanyan looked more Hunnish than Raimondi; he comes from the right part of the world, and his features have a usefully exotic cast. No doubt it will be some years before he grows up to Raimondi's full authority, but his Attila is already stamped with character, and a leader's wary poise. The bottom notes of the voice have yet to ripen; the rest of it is sonorous and beautiful, with a smoky individual tang.

Tumanyan uses it in big style and with fine dramatic sense, if without digging into his words much yet. His pitch was sometimes approximate (at the further ends of several wide vocal drops, not even that). Anyone would guess, however, that the voice and the performer have all the staying-power for an impressive career. O'Neill was in stirring form: the voice has darkened slightly but perceptibly since I last heard him, with a gain in expressive weight that he exploits to mature purpose.

With Josephine Barstow's spirited, volatile Odabella and Giorgio Zancanaro's sterling Ezio – arguably the strongest performance of all – the whole cast lives up to Moshinsky's swift, sure-footed staging, the unexpected visual feast of Yeargan's sets (utterly practical, what's more), and Downes's vital exuberance in Verdi's score. Raw though the piece is by any "serious" assessment, this *Attila* is a healthy reminder that the irreplaceable delights of opera comprise more than just the lofty virtues of *Zauberflöte* and *Parsifal*.

David Murray

London Sinfonietta

QUEEN ELIZABETH HALL

None of the works in the London Sinfonietta's programme on Tuesday was absolutely new, though the two pieces by George Benjamin were more or less premières. Benjamin conducted the concert, and included Stravinsky's tiny *Pribaoutki*, wonderfully sung by Susan Bickley, as well as the British premieres of pieces by Tristan Murail and the French Canadian (born 1955) Denys Bouliane.

Murail's *Allégories*, combining a small ensemble with keyboard-controlled computer sounds, was a disappointment, and did not take his music anywhere new, or beyond what one had heard in his previous IRCAM supported forays. The shifting planes of sound and numinous electronic haloes around the tangles of melodic lines were deftly handled; the computer came up with the high-register splinterings that are IRCAM house style; but the ideas were never distinct enough to hold everything together or to justify the foray.

The surface of Bouliane's wind quintet *...a certain chinese cyclopaedia...* seemed much more straightforward. But his programme note's references to Borges and description of a homage to be-bop hinted otherwise and it proved to be an increasingly rich, wayward argument, full of abrupt discontinuities, false starts and finishes and the sudden surfacings of coy melodic shapes. Bouliane studied with Ligeti, and has inherited something of his knack to disconcert, to mean much more than he says with the simplest gestures.

Benjamin conducted both works with great flair, and in his own *Antara*, appearing for the first time here in a version with tape rather than the real-time interactions of the fabled 4X computer, demonstrated that the work has an enduring spell. Click tracks keep tape and instruments together now; the system appeared to work perfectly, and the proportioning of the arguments, its almost classical use of development and reprise, and gentle understatement continue to enchant.

His nearly new Yeats setting, *Upon silence*, was developed out of a provisional piece written for the CRUSAID concert earlier in the year. The mezzo (the excellent Miss Bickley again) is set against a family of five viols (the early-music group Fretwork); the setting is strophic, but each verse draws the melodic line in ever more elaborate melismata, while the antique strings buzz and dart underneath. It is beautifully controlled and finished, an exactly encapsulated world; it seems not a major piece, but as ever with Benjamin an effortlessly accomplished one.

Andrew Clements

The Grateful Dead

WEMBLEY ARENA

Ever felt that you are missing the joke? That everyone else in the room has grown up together into one large communal family, with a shared vocabulary, history, and approach to life? Make that room Wembley Arena, and the family over 10,000 strong, and you are the uninvited guest at a Grateful Dead concert.

The Dead are the ultimate cult band. They have been around long enough – about 25 years – to acquire the status of icons. They built their music around LSD tripping when the hallucinatory drug was so new that it was legal. Little has changed over the decades except that the Dead are officially off drugs, are the most business orientated band in rock, and that a couple of the drummers have passed on to the ultimate trip in the sky.

But in the main the band has stayed remarkably consistent in personnel, in philosophy, and in music. Some of them – step forward guitarist Bob Weir and wave your pony tail – have hardly altered; others, like guitarist Jerry Garcia, have weathered into huge grizzly bear-like characters. But through their commitment to performing and touring they have spawned the biggest travelling bandwagon in pop, with hundreds of fans, known as Deadheads, devoting their life and livelihood to attending every concert. (By happy chance one of the Dead's commercial ventures is a travel agency.)

So when the girl, in an amazed voice, asked at Wembley "are you English, too?" she had sense on her side. All around us giants of American youth with Pre-Raphaelite hair threw their bodies about in programmed abandon. It was not the controlled, discreet disco bopping of young acid heads; this was free expression dancing, best suited to the wide open spaces of Woodstock. "Thank you, Bobbie", one girl whispered as Weir led the Dead into another of their long, almost improvisational, numbers which through years of mutual familiarity are as tightly and smoothly meshed as silk.

Outside in the corridors many hippies had taken off their tie-dye shirts to whirl, hands upraised, at a respectful distance from their heroes. The odd thing about the Dead is that the music is quite at odds with the image and the fans. It is melodic, old fashioned, accessible, commercial. The melodies may not be strong enough to provide hits, but it is pleasant to be sucked into the maelstrom, with the solid beat of two drummers adding a bite lacking from the weak vocals. In fact, if it was not for the Deadheads the whole thing might, after the second hour, become dull.

Antony Thorncroft

SALEROOM

There were two reassuring sales to lift the art market in New York on Tuesday. Sotheby's sold clocks and watches for \$4.36m (£2.23m.), with a US record for a watch of £337,855 paid by Patek Phillipe for a gold watch it had made in the early 1920s. The auction was only 10 per cent unsold.

Christie's managed \$4.4m (£2.26m) for silver, with the Abercorn chandelier, made by Robert Garrard II in 1837 for the spendthrift 2nd Marquess of Abercorn, selling for £592,307 to the London dealers Koopman and S. J. Phillips. The chandelier was bought for Bentley Priory but the Earl ran up debts of £349,500 (as against an income of £41,500) and narrowly avoided bankruptcy.

Two George II seal salvers made for Sir Robert Eyre in London in 1728 and 1735 sold for £214,358, within forecast. The seals commemorate the offices he held – Chancellor to the Prince of Wales and Lord Chief Justice. This auction was just 11 per cent unsold, with strong private buying. **A.T.**

ARTS GUIDE

October 26-November 1

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition. Burlington House, Piccadilly (287 9579).

Paris

Musée Marmottan. Goya. Monet's museum plays host to four cycles of 218 engravings by Goya on loan from the Fundacion Juan Marcha. 2 rue Louis-Boilly. Closed Mon (42240702).
Galerie Maurice Garnier. Bernard Buffet – La Bretagne. 6 ave Matignon (42256185). Closed Sun, Mon and lunchtimes.
Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. Musée Marmottan, 2 rue Louis-Boilly. Closed Mon.
Musée des Arts Decoratifs. Panoramic wallpapers. 107 rue de Rivoli (42603214), closed Mon, Tue.
Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy. 137, rue du Fbg. St Honore (42665831).
Galerie du Carrousel. 19th century French masters. 11, Quai Voltaire (42611075). Closed Sun and Mon.
Grand Palais. Picasso. Closed Tue, Wed late closing.
Picasso Museum. The restored 17th century Hotel Sale provides a fitting home for the world's largest collection of Picasso's work (42712421).
Galerie d'Art Saint Honoré. The Magic of Flemish Art. Closed Sat, Sun; ends November 30 (42601503).
Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. Closed Tue.

Martigny

Fondation Pierre Gianadda. Modigliani (26 223978).

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. Closed Mon.
Galerie de la CGER. The Belgian Dynasty and Belgium's cultural Development.
Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits.
Musée d'Art Moderne. Place Royale. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Mon.
Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Mon.

Madrid

Fundacion Juan March. Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on view at the foundation.
Museo Espanol de Arte Contemporaneo. Domestic Scenes. Everyday images of life in Spanish homes seen through the works of a wide range of top-rate artists over a 500-year period.

Barcelona

Museo Picasso. Homage to Jacqueline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso, they married in 1958.
Fundacion Miro. Joseph Beuys. Some 130 drawings on the theme of oriental philosophy in an interchange with the Keftner Gesellschaft in Hanover. Closed Mon.

Rome

Palazzo Degli Esposizioni: Norman Rockwell. Oils, watercolours and sketches from the years 1915 to 1972 by a remarkable artist.
American Academy: Giovanni Battista Piranesi: 135 engravings of Rome, made around 1770, the year of Piranesi's first visit to Rome,and the beginning of his long love-affair with the city.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock.

Bologna

Pinacoteca Nazionale. Giuseppe Maria Crespi (1665-1747).

Düsseldorf

Augsburg, Kunstverein, Toskanische Saeulenhalle, Zeugplatz 4. Around 100 paintings, lithographs, engravings by the Spanish painter Antoni Taepie.

Dresden

Albertinum, Georg-Treu-Platz 1. Some 350 works by 170 artists who were expelled by East Germany during 1949-1989.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. Ends Nov 4. Goethestrasse 41, 4300, Essen 1.
Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. Ends Nov 4.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe.

Frankfurt

Staedel museum has opened its new extension: display of 20th century art ranging from Picasso to Max Beckmann and Anselm Kiefer.

New York

Brooklyn Museum. This comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter.
Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals includes a majestic panorama with more than 300 works covering 30 centuries.
Pierpont Morgan Library. Treasures of Eton College Library covers 550 years of collecting.

Washington

National Gallery. Comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries.

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.
Chicago Historical Society. A House Divided, America in the Age of Lincoln.
Art Institute. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

Masterpieces of Japanese Art. This selection of 250 major works has been drawn together to mark the accession of the new Emperor. Closed Mon.
Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists. Hara Museum.
Azabu Museum of Arts and Crafts. Ukiyo-e prints and paintings of flowers and birds: from the Rockefeller collection in the US.
William Blake: 200 idiosyncratic works by the English revolutionary, visionary, poet and painter. Closed Mon.

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New capital for the banks

THE decision by the US Federal Reserve to ease monetary policy this week raises an awkward question for economic management. Can the US economy really be expected to respond to monetary stimulus when the stock market is indicating that the banking system is substantially undercapitalised? The short answer is almost certainly not. And the longer term question that has to be confronted squarely both by the Administration and Congress – and indeed by monetary authorities around the world as they, too, face the risk of a more global credit contraction – is how to ensure that the banking system is able to play its part in sustaining a future recovery.

The astonishing tale of aggressive risk-taking, deregulation and supervisory failure under the Reagan Administration is by now so familiar that it does not call for repetition. But the fall-out, in the shape of declining profitability and increasing loan losses, is less easily brushed aside since it has left an enduring mark on bank balance sheets. Bankers now complain that their predicament is being made worse by the tough response of bank supervisors to the deteriorating quality of their loan books. A more realistic complaint might be that harshness at an earlier stage in the cycle would have pre-empted much of the present trouble.

In fact the collapse in the stock market capitalisation of some leading money centre banks to less than half book value suggests that the belated supervisory response has yet to take the full measure of the real estate lending problem. The problem is made worse by the need to comply with the new capital adequacy requirements of the Bank of International Settlements (BIS). And with stock at a substantial discount to book values, access to fresh capital is largely ruled out.

BIS hurdle

On some outside estimates the top 10 US banks might need to shrink their balance sheets by anything up to $200bn to jump the BIS hurdle, in the absence of large dividend cuts. That is not a sum that can readily be replaced by regional or foreign banks, particularly when the Japanese are also being squeezed by the new BIS regime; capital has been shrinking as a result of the collapse in the Tokyo stock market and problems in real estate. In practice many US banks have already opted to cut the payout. But they will still be unable to expand their lending at other than a very restrained rate when demand turns up.

Liquidity trap

So far the policy debate on the banking structure has concentrated on (admittedly necessary) short term expedients including the provision of funds to underpin the deposit insurance system and strengthening the structure through mergers. But a more radical approach may be needed if the United States is not to be caught in an old-fashioned liquidity trap. Since the 1930s the US banking system has been surrounded by a ring fence that prevents non-banks owning banks and commercial bankers undertaking securities underwriting. Over time the fence has been greatly eroded and the Glass-Steagall Act division between commercial and investment banking is clearly on its way out. Yet underwriting fees will scarcely be enough to restore the commercial banks to adequate profitability. The more difficult question is whether non-banks should be allowed to help recapitalise the system.

There is not much that the modern industrial company, with its sophisticated treasury management skills and technology, is not equipped to do in banking. The historic objection to such a move is that industrial management is likely to be less sensitive to prudential and fiduciary concerns than existing bank management. Yet the argument looks weaker in the light of the banks' risk-taking record during the past decade. Clearly supervision would have to take into account the need for adequate protection for depositors to cope with problems of cross-infection – just as it would with the combination of commercial and investment banking. But in the present unusual circumstances unusual measures bear thinking about.

Discomfort on the Tube

USERS of the London Underground railway system will welcome the news that the business is being referred to the Monopolies Commission for a review of its efficiency. There can be few public undertakings which are more frequently criticised for inefficiency, as users climb broken escalators or squeeze into a train service that falls well below the scheduled level. Now it appears that London Underground's financial management is as prone to breakdowns as its operations.

Users may well wonder why they should be penalised by reductions in services for the inability of the management to exercise the most elementary controls over its finances. They may also wonder how the present management can possibly cope with the very large investment programme now under way.

A review of management and performance is overdue. The Monopolies Commission's enquiry will cover just about every aspect of the underground's operations and management – which may well strain the Commission's limited resources. It needs to be selective. It should not place too much emphasis on the minutiae of investment appraisal techniques, but emphasise such broader issues as the planning and management of investment, the structure of fares, and why the organisation fails to make full use of its assets.

When the cost of expansion is so high, getting more trains down the tunnels and more people through stations is the most effective means of increasing capacity. But London Underground seems unable to run trains as frequently as it did 40 years ago.

Detailed study

Only detailed study on the ground can show what is wrong with the management of finances and services. The Commission should follow the chain of responsibility from chairman down to operational staff, to establish why objectives are not translated into action, cost estimates are exceeded and expenditure is not controlled. It needs to evaluate the competence of the managers for the tasks they perform as well as the suitability of the management structure.

The Commission should not involve itself in the debate about expanding network and the appraisal of possible new lines. But it should ask whether the management of the underground reacted as quickly as it could to the increase in traffic after 1982; and examine the company's efforts to ensure that the new trains and signalling equipment which it buys represent the best value. When technology is changing fast and can increase the capacity of the system, buying last year's best equipment can impose heavy costs on posterity.

Fares question

Fares are the most political question. Any discussion of fares will be dominated by the travel card, which provides unlimited travel within a given area for a flat charge. It is popular because it is convenient and cheap, but it provides travel at zero marginal cost, and has contributed to the overcrowding of the system. A logical approach to fares would be less popular, but the Commission should not be deterred from a rigorous analysis of the fare structure.

The Monopolies Commission's enquiry, however thorough it may be, now seems less than is needed to assure the public that its money is being effectively used by London Transport. The managerial failures of London Underground reflect on the competence of the central management of London Transport of which the underground is an operating subsidiary. If a holding company does not ensure that its subsidiaries have adequate financial controls, it is difficult to know what useful function it is performing.

Thus the efficiency of central management in London Transport needs to be investigated, as well as that of the underground: the government should either extend the Monopolies Commission's enquiry for this purpose or commission a separate study. The public, who finance and use London Transport, deserve an explanation of failures and an improvement in performance.

Roger Matthews assesses the challenges facing post-election Pakistan

Bhutto down but not out

Supporters of the Islamic Democratic Alliance carry posters of General Zia and celebrate their victory over Benazir Bhutto

The chances of a fledgeling democracy developing wings in a country where the army still knows that it knows best must always be slim. But survival of the system can be greatly enhanced by an electorate which sometimes delivers what the men in uniform want, even if the voters' pragmatism needs to be reinforced by a touch of skullduggery along the way.

Hence, after just 20 months in office, Ms Benazir Bhutto failed to be re-elected prime minister of Pakistan in elections she had not sought and which from the outset were stacked against her. Ms Bhutto and her Pakistan People's Party may feel justly aggrieved at the summary manner of the government's dismissal by President Ghulam Ishaq Khan and their subsequent harassment. But given the frightening raft of problems facing the country, Pakistan has come through the experience in better shape than had been feared.

Peversely, despite the vulnerability of former office holders in Pakistan, it may also turn out not to have been such a bad election to lose. Severe though the setback was, Ms Bhutto's party was much less heavily defeated than the distribution of seats in the National Assembly suggests. While the PPP lost more than half the 93 parliamentary seats it won in 1988, its overall share of the popular vote declined by a little over 1.5 per cent to 36.84 per cent, just 0.02 per cent behind the victorious but disparate group of parties in the Islamic Democratic Alliance.

Whether or not, as Ms Bhutto alleges, some official sleight of hand helped to produce the published results, President Ishaq Khan must be reflecting that had he waited another few months the outcome could have been even more to his liking and that of his military and civil service friends. The failures of Ms Bhutto's administration would by then have become more obvious and, more important, she would have been grappling with what are bound to be the unpopular economic consequences of President Saddam Hussein's invasion of Kuwait.

Whichever way Pakistan faces, it has been seriously damaged by Mr Saddam's action. Internationally the Iraqi leader has again raised the uglier profile of Islamic nations, their potential for bellicosity and the type of weapons which they can deploy. Unhappily, it was just at this time that the US was having to decide whether it was satisfied that Pakistan was not seeking to acquire nuclear weapons technology, to which is tied continued American aid.

The Pakistani establishment is convinced that the October 1 decision to suspend civil and military aid worth nearly $600m a year was an overtly political act in support of Ms Bhutto and had little to do with the nuclear issue. But the new government is unlikely to wish to sustain the growing mood of anti-Americanism in Pakistan generated by the suspension. Despite threats at senior level to retaliate by ceasing to service its debts, the official line will have to become more conciliatory.

The finance ministry in Islamabad has estimated that oil at an average of $32 a barrel will in a full year cost the country an extra $2bn. There is no scope for further drawing down foreign reserves as they are at a basic level, equivalent only to a few days' imports. The ministry thinks it may be able to absorb about half of the additional $2bn, but will still need $1bn in extra external financing, a sum equivalent to 20 per cent of Pakistan's annual export earnings.

The interim government headed by Mr Ghulam Mustafa Jatoi, who hopes, probably unrealistically, to be asked to stay on as prime minister, had no intention of courting electoral unpopularity and so did nothing about petrol prices. At the very least they will have to be raised an initial 20-25 per cent by the new government. More will have to follow.

This is but the short-term tip of an iceberg of structural economic problems which Pakistan's political class, in its single-minded commitment to denying its enemies and justifying itself, has found little time to address. There are currently about 110m Pakistanis, of whom nearly 70 per cent are illiterate. They have a per capita income of about $350 a year, close to the poverty level as defined by the World Bank, and are adding to their numbers by more than 3m a year. It is difficult to find evidence of a birth control programme, yet the government must be aware that there are more than 1m young people a year appearing on the job market. Worse, Iraq's invasion of Kuwait has forced hundreds of thousands of Pakistanis to return home, few of whom will find work and whose lost earning power will further widen the current account deficit.

The extent of the overall economic problem, especially when taken together with the twin social blights of an alarming level of heroin addiction and growing lawlessness encouraged by the cheap weaponry which flowed into the country during the Afghan war, was scarcely reflected in the election campaign.

Mr Mian Nawaz Sharif, who heads the electorally successful Islamic Democratic Alliance and should, unless blocked by the army, become the next prime minister, concentrated instead on the need to create an ill-defined Islamic welfare state and to reduce sharply Pakistan's dependence on foreign loans. He asserted simultaneously that Moslems believed solely in the sovereignty of Allah and it was Allah alone who fed his creatures. Politicians elsewhere must wish their responsibilities could be so simply shared.

It is the sort of contradictory message which also further confirms Pakistan's tendency to look towards its western Asian neighbours. While Indonesia, the world's most populous Islamic nation, is drawing on and beginning slowly to follow the impressive example of the newly-industrialising eastern Asian nations, Pakistan appears stuck in the development attitudes of more than two decades ago. Import substitution policies and industries producing uncompetitive goods behind high tariff barriers are unlikely to arrest its relative economic decline.

As a largely self-made businessman, Mr Nawaz Sharif, with a strong political base in the Punjab, may better appreciate the issues facing Pakistan than the landowning elite which together with the army have dictated the country's course since independence. It is said that he strongly supports the creation of private investment banks to offset the dead hand of the state banking sector and might move towards dismantling some of the bloated state corporations.

Increased spending on rural infrastructure, especially for electricity and water, is vital both to boost food production and to create the estimated 600,000 jobs needed every year outside the main urban areas. But the most modest estimates indicate that the military takes about 40 per cent of the national budget each year and would make life difficult for a prime minister who proposed a reduction.

While the Soviet army was entrenched in neighbouring Afghanistan the army had a stronger case to make, one that it supplements today with warnings about possible Indian aggression, especially in Kashmir. It has also agreed to send 5,000 troops to Saudi Arabia, purportedly to defend Mecca and Medina against Iraq. But with the reduction in east-west tension brought about by the sharp changes in Soviet policy, the need for such a large military budget is more difficult to justify. Whether the army thinks such justification is necessary is a separate issue.

It is one, however, that the new premier will soon have to consider. Mr Jatoi's attraction for the military is that although he managed last week to reverse his previous defeat at the polls, he has a very narrow power base. Mr Sharif, by contrast, can claim to be a populist leader through his control of the Punjab. However his Alliance has been united only in its desire to defeat Ms Bhutto and its prospects for holding together under the pressures of government cannot be highly rated.

Previously, the army tried and ultimately failed to rule Pakistan successfully during the 11 years of General Zia ul-Haq whose death in a sabotaged military aircraft in 1988 set off the present flurry of democratic activity. So, although Benazir Bhutto may currently look like the Polly Peck of Pakistani politics, as a long-term recovery stock the Pakistani People's Party could still be worth watching.

BOOK REVIEW

Scapegoats, not the solution

AGENTS OF INFLUENCE
– how Japan's lobbyists in the US manipulate America's political and economic system
By Pat Choate
Knopf, $22.95

Americans are ambivalent about Japan. They buy Japanese consumer products in vast numbers, increasingly eat at Japanese restaurants, attempt to understand Japan far more than Europeans do, and work happily for Japanese companies and management.

Yet Americans regard Japan as a greater threat to US strategic interests than the Soviet Union, blame Japan for many of their economic ills and often talk about Japan in language which makes Mr Nicholas Ridley's musings about the Germans seem mild. Pearl Harbour is seldom far from many American politicians' lips.

Pat Choate is well known as a strong critic of Japanese trading practices on the Washington pundit circuit of television chat shows, think tank seminars, congressional testimony and newspaper opinion pieces. His new book has attracted a good deal of attention in these circles.

At one level it is a factual description of the growing Japanese involvement with the US. But this is deceptive. Choate has another side. There is an hysterical Mr Hyde as well as a reasonable Dr Jekyll.

The Jekyll author documents in detail the growth of Japanese influence in the US. Examples are given of Japanese companies recruiting former administration officials and congressmen as advisers and lobbyists. The aim is to influence both the general political debate and specific trade decisions. He argues that Japanese political muscle has succeeded in turning US government decisions to its own benefit – over, for instance, the customs treatment of trucks, sanctions against Toshiba and the awarding of construction contracts.

There is little evidence, however, that picking up big names gives the Japanese a special advantage in view both of the open nature of the US political system and of the inherent bias of many in Congress in favour of American producer interests. Everyone is in the lobbying game.

Choate concedes that the problem is not so much the Japanese hiring former officials to lobby for them as the existence of such a revolving door system. He sensibly suggests banning very senior officials from ever becoming lobbyists for either foreign or domestic companies and insisting on a longer cooling-off period than 12 months for middle-level Federal office holders. He also makes some more questionable proposals such as banning foreign participation in US politics via the contributions of political action committees of local subsidiaries.

But every so often the sober Dr Jekyll turns into the excited Mr Hyde, who thinks there is some kind of fiendish Japanese conspiracy. He claims that Japan's political machine in the US costs more than $400m a year, of which at least $100m goes to Washington lobbyists, super-lawyers and political advisers. The rest is spent "to expand a pro-Japan state and local political network".

He argues that the only way Japan can head off foreign criticism and pressures for internal reform is "by attaining effective political domination over the US. That is why Japan is spending so much to buy the best legal and lobbying talent in America, to provide assured post-government employment for its American political friends, and to finance a vast cadre of apologists – some ideologues, some academics, some ex-officials, and some simply fast-guns-for-hire."

Choate even says that Japan wants to mould the thinking of tomorrow's leaders by financing the preparation and distribution of teaching materials in schools. He concludes: "The manipulation of America's political and economic system by Japanese and other foreign interests has reached the point that it threatens our national sovereignty."

This reads like the more rabid anti-communist fantasies of the John Birch Society at its peak. The Japanese are not about to take over the US. Quite the opposite. All the money spent on lobbyists has not altered the political debate in Japan's favour. Rather, Japanese companies are fighting a defensive action against simmering protectionism.

The argument can be turned round. The US is equally active in trying to influence Japanese decisions. Indeed, Washington sees the Structural Impediments Initiative (SII) talks as a means of changing Japanese behaviour and laws to make the country more consumer-oriented, more open and more willing to buy US products. That is quite an interference in Japanese sovereignty.

There are undoubtedly legitimate US complaints about Japanese protectionism and barriers to the entry of American companies, as have been raised in the SII negotiations. But real though these difficulties are, they are not the reason for the decline in the competitive position of US motor and consumer producers compared with their Japanese rivals.

The US does face a Japan problem, but the solution lies in Washington and across the US – in improving education and training, the development and spread of technology and productivity, and in reducing the Federal deficit, as Choate concedes in one of his Dr Jekyll passages. Searching for Japanese scapegoats, as Choate does in most of his book, is a damaging diversion.

Peter Riddell

Woman from Mayo

■ Mayo is a remote county in the west of Ireland and not many women have even been candidates to win the Mayo Man of the Year award.

Which makes it even more remarkable that Mary Robinson, candidate in the Irish presidential election, last year became the first woman to be so honoured.

In the gathering Irish political crisis which threatens to engulf prime minister Charles Haughey's government, Robinson, aged 46 and a mother of three, has suddenly emerged as a considerable figure in the new Irish politics and the front-runner in the race for Ireland's highest office.

The Irish president, a remote figure since the days of De Valera, traditionally lives in splendid isolation in the old vice-regal mansion in Phoenix Park. To give the flavour of Robinson's style, which is so unnerving to the old guard, "A woman's place is in the Park" is one of her catchy slogans.

There has never been a female Irish president, and the prevailing culture of the country still does not augur well for such a breakthrough. But Robinson has not been afraid to brazen it out in the patriarchal world of Irish politics. For the last five months she has campaigned along the highways and byways.

She has argued for divorce laws, for contraceptives to be made freely available, for more rights for women.

Robinson was the youngest professor of law at Trinity College, Dublin, at the age of 25. As a barrister of repute, she has appeared in numerous cases, including one involving the illegal tapping of journalists' phones by a past Haughey administration.

She says she will be an active president who will promote a new image of Ireland both at home and abroad.

The powers of the Irish president are severely limited. Some people have even suggested that Robinson might be over-qualified for the post as, in the past, most Irish presidents have opted for the quiet life. Haughey and others are worried that Robinson might be too energetic.

Bets are being taken on the sprightly Robinson. But Irish punters are being cautious on how long she would survive in the Park, without provoking a constitutional crisis.

OBSERVER

Old friends

■ Rupert Murdoch has a new publisher and his name is Harold Evans.

The former crusading editor of Murdoch's The Sunday Times and The Times – he resigned in 1982 after a series of conflicts with the Australian press mogul – was yesterday in a bubbly mood after being named the new president and publisher of Random House Adult Trade Books, the flagship imprint of the leading New York publishing house.

Among the key books to be handled by Evans, aged 62, will be Murdoch's memoirs, which Random House acquired less than a fortnight ago. Perhaps remembering his dramatic departure from The Times editor's chair (all captured live on television at the time), Evans has written to Murdoch telling his old boss: "The wheel of fortune makes me your publisher as you used to be mine." Evans is married to Tina Brown, aged 36, who now runs the hugely successful Vanity Fair magazine. Sitting in the 12th floor office of Alberto Vitale, the Italian-born chairman of Random House, Evans said last night he would be "the number one person" to read Murdoch's manuscript, which he was sure would be a dramatic story. "I am only one character in his story. I have a walk-on part in Act III . . . and a walk-off part as well."

"I left my parallel currency in my other jacket."

Gold buff

■ Algy Cluff, when asked by a friend exactly what taking his company, Cluff Resources with its £50m turnover, to a full London stock exchange listing today after 10 years on the Unlisted Securities Market would mean to him, replied promptly: "Writing a £100,000 cheque to my lawyers."

Reflecting further he says: "It is part of growing up." Cluff has recently celebrated his 50th birthday. Does that mean he is changing his pace and direction after 20 vigorous years first in oil exploration and, more lately, in gold exploration?

I have to report that no such gear shift into middle age can be detected. He insists: "We are going to continue to grow by discovery."

Cluff Resources now derives 95 per cent of its income from gold from its three Zimbabwe mines and hopes to open a fourth in Ghana. It is drilling hopefully for the hard Copeton diamonds in New South Wales and, says Cluff, "We believe we have identified the source of those diamonds."

After five years in the Grenadier Guards, Cluff stood unsuccessfully as a Conservative candidate when he was 26. A few years later, he and a couple of friends ("We had no money") bid for North Sea oil blocks and to their own surprise found themselves in possession of six. Barings lent them money. They drilled and the young Cluff Oil found the Buchan field.

Cluff had a nasty experience in the early 1980s when he poured resources into offshore China prospects. "It was a fiasco," he admits. Then, the former chancellor Antony Barber fired him with enthusiasm for prospects in Zimbabwe and he decided to explore for gold instead of oil. "You get a lot more mileage for every exploration dollar," he says happily.

Trick or treat

■ Hallowe'en hasn't escaped the eye of at least one imaginative PR man.

Tom Reid was handing out share certificates to the first 100 children who arrived on his doorstep in Toronto last night.

Reid chooses a different company each year, giving one share each to the first 100 comers. Last year he picked Quebec's leading food retailer, Provigo.

This year, he has plumped for one of his clients, Curragh Resources, a sizeable Canadian zinc producer.

Curragh badly needs enthusiastic shareholders of whatever age. Its share price has dipped by more than one-third since it was listed on the Toronto stock exchange a few months ago.

Reid says he makes a point each year of also buying 100 shares for himself, so that, "whatever happens to the children, happens to me".

I wish market traders would be as considerate.

Australia's 'open skies' policy came into force yesterday amid an air of gloom, writes **Paul Betts**

Risks of a flight from monopoly

To launch an airline deregulation and privatisation programme in the middle of an economic slump, not long after a crippling five-month pilots' strike, might appear a trifle eccentric.

But Australia seems to have had little choice than to go ahead yesterday with its new "open skies" policy, to be followed over the next 12 to 18 months by the complete sale of Australian Airlines, the state-owned domestic carrier, and the flotation of a 49 per cent stake in Qantas, the state-controlled international flag-carrier.

Although the timing could not be worse, the twin moves are expected to have widespread repercussions not only on domestic air travel in Australia but also in the world market, by opening up a new front in the increasingly global civil airline business. It is likely to lead to a significant realignment in the fast-growing Asia-Pacific region with foreign carriers seeking to forge strategic alliances and possible cross-shareholdings with the Australian carriers.

Both Qantas and Australian Airlines have already started talking with potential foreign partners. Australian recently renegotiated marketing and commercial agreements with British Airways and United Airlines. Mr Ted Harris, its chairman, said in Sydney last week he was now keen to see BA invest in a stake in Australian when the airline is privatised.

In the meantime, Qantas executives have been in Singapore talking to Singapore Airlines, and have confirmed that they are seeking strategic long-term ties with a large European and US carrier as well as an Asian airline. Qantas is also keen to establish a privileged link with one of the two Australian domestic airlines to secure its home market base, says Mr John Ward, the Qantas chief executive.

The move is likely to lead to a new realignment in the Asia-Pacific region with foreign carriers seeking to forge strategic alliances

The Australian Labour party committed itself three years ago to bring to an end four decades of government regulations on domestic air travel on October 31 1990. (It was supposed to be November 1, but someone in Canberra forgot there were 31 and not 30 days in October.) These regulations involved a two airline policy reserving all domestic air travel to Australian Airlines, the state carrier, and Ansett, the private airline jointly owned by Sir Peter Abeles's TNT transport group and Mr Rupert Murdoch.

Under the old system, the two airlines were protected from each other and potential competitors by regulation which fixed their fares and prohibited new entrants. The original idea was to protect the two domestic carriers to enable them to develop a comprehensive airline network in Australia where transport has always played a crucial role in holding the vast country together.

But the system soon became an economic and social absurdity. It was tantamount to giving the domestic carriers a licence to print money since fares were invariably set on a cost plus basis. The high cost of domestic air travel has meant that only 15 per cent of the population regularly travel by air.

Although the Australian airline industry has one of the best safety records in the world, with no deaths since the first Boeing 727 jets were introduced 30 years ago, Australians have been forced to use the country's slower and largely inadequate rail and road systems. Since the mid-1960s 60,000 people have died in road accidents.

"Regulations gave Australia an elitist and expensive airline system run primarily for the benefit of arrogant airline managements who generally bought industrial peace with unproductive practices in which the bill was passed on to a public deprived of alternative services," explains Mr Ben Sandilands, a long-established Australian airline industry commentator. "Our domestic aviation industry is one of the least socially relevant in the world," he adds.

During the privatisation debate at the Australian Labour party's conference, Mr Paul Keating, the Australian treasurer, argued that the labour left should have no ideological attachment to Australian Airlines, which he claimed was used by few ordinary people and had become "an airline for businessmen and toffs".

The situation is now expected to change significantly, in theory at least. During the past weeks "competitive lunacy", as Mr John Staag, the Australian Airline chief executive puts it, has overwhelmed the domestic airline industry. Australian Airlines and Ansett have been trying to out-manoeuvre each other to increase market share by offering a vast array of discounted fares. Sir Peter Abeles has gone as far as suggesting that some fares could be as low as A$10.

Ansett at present has 25,000 different fares across its network and says the number is certain to increase. In the Sydney terminal of Australian Airlines, a splendid Rolls-Royce Silver Cloud is waiting to be won by a fortunate traveller. Hot meals are served even on the short 30-minute Sydney to Canberra hop.

"The travelling public doesn't know what is about to hit it," says Mr Tony Hill, the Ansett spokesman. But he acknowledges that Australian deregulation is unlikely to parallel the free-for-all when the US deregulated its airline industry 12 years ago and scores of new start-up airlines entered the market with many later going bust.

In contrast to the size of the country, Australia's population of 17m is minuscule. "It is difficult to see how there can be room for more than two or even three airlines," says Mr Ward of Qantas. Originally 11 new airlines indicated they planned to enter the market. Most seem to have faded away. At present, the only serious contender to the big two domestic carriers is Mr Bryan Grey whose new Compass airline is to begin services with two Airbus wide-body aircraft next month. Mr Grey intends to undercut his two larger competitors but concedes that the size of his airline is unlikely to make a significant dent in the market.

"Australia's two airline policy will simply be replaced by a two and a quarter airline policy," Mr Grey sarcastically remarks. He believes deregulation is a "sham" and an exercise in political cynicism. "The dice were loaded from the start in favour of the two incumbents when the government renewed for 30 years Australian's and Ansett's airport terminal leases the day before they gave notice that the two airline policy would be scrapped," he explains. With restricted access to airport terminal slots, it is difficult to see how new entrants can grow in the market.

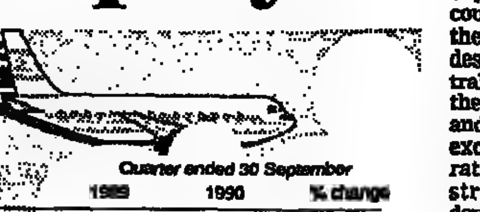
The privatisation of Australian Airline and the partial Qantas sell-off also seem to have been dictated by political expediency. The government could no longer afford to fund the two state airlines, both in desperate need of capital. Australian and Qantas have seen their gearing rise significantly and are currently burdened by excessive 80:20 debt-to-equity ratios. The Australian pilots' strike last year had a devastating impact on airline revenues and profits. At the same time, both Qantas and Australian Airlines are committed to heavy investment programmes.

"The two airlines find themselves in a situation where they are going to be rendered increasingly uncompetitive. In the case of Qantas that means a slow strangulation; in the case of Australian Airlines it could create in a couple of years potentially quite serious circumstances," warned Mr Kim Beazley, the transport and communications minister, to justify the decision last month of the state airline sell-off. Moreover, without the necessary cash injection, Australian risks being handicapped in its growing battle against Ansett in the newly deregulated domestic market.

The risk is that in the current uncertain environment the temptation will be simply to replace a state monopoly with a privatised one

Deregulation and privatisation have come late to Australia. But they could provide a significant opportunity to develop a broader-based domestic airline market as well as ensuring a role for Australia in the globalisation of international aviation. Direct investment by foreign airlines in Australian carriers is likely to play a crucial part in the future of Australian aviation.

The risk is that in the current highly uncertain and depressed airline environment the temptation Down Under will be simply to replace a state monopoly with a privatised one.



Scheduled domestic airline activity

Passenger tonne kilometres '000	Year ended 30 September 1989	1990	% change	Quarter ended 30 September 1989	1990	% change
Australian	479,066	446,113	-6.9	85,422	137,379	60.8
Ansett	470,213	438,257	-6.8	84,285	136,309	61.7
Eastwest	52,360	42,013	-19.8	8,855	14,068	69.1
Ansett NSW	21,121	16,209	-23.3	3,438	6,537	90.1
Ansett WA	49,504	49,958	0.9	9,857	14,658	48.7
Ansett NT	6,739	5,685	-15.6	1,134	2,197	93.7
Other	5,410	11,022	103.7	5,410	–	–
TOTAL	1,084,413	1,009,257	-6.9	198,403	311,169	56.8

Source: Transport and communications

Some myths about economic power

Wealth is mostly about enjoyment, not exercising control over other nations, writes **Martin Wolf**

Debates about the future of Europe have, in recent months, tended to start from certain premises. These are that the newly united Germany will be the "dominant" economic power in Europe; that this dominance poses a problem for its neighbours; and that something must be done about it.

What should be done is debated. The standard solution on the other side of the Channel is "more Europe"; that of the British prime minister is, if not less Europe, at least as little more of it as is possible. For the former group, further integration of the European Community is recommended as the way of binding Germany into the EC; for the latter it is feared as a plot to bind everyone else to Germany.

Neither solution seems persuasive. No institutional arrangement is likely to impose a durable check on a nation's will to power. It is no less naïve to argue that keeping one's distance is a solution. If there is a problem, the UK cannot hope to solve it in this way.

Fortunately, the solutions are no more implausible than the premises. "Economic dominance" is a largely empty notion. Once again, the rhetoric of war is being inappropriately applied to commerce. Moreover, to the extent that "economic dominance" has meaning, it has already been contained within the EC.

Start with the fundamentals. This supposedly dominant German economy is a label for the income generated by the transactions – both with one another and with foreigners – of the Germans. Germany has a market economy. An Englishman buys something from a German firm because he thinks it the best for its purpose, given its price. A German, in turn, buys a good from an English firm (it does happen sometimes) for the same reason. So long as everyone possesses alternatives – whether in their own country, in the country with which they are dealing or elsewhere – the issue of power does not arise.

To have power, there must be a means of applying coercion. Relations in a competitive market are, virtually by definition, non-coercive. Unless private monopolies are involved, only governments can hope to turn economic means into effective forms of power. They can do so by buying arms; by buying influence; by manipulating trade; or by manipulating currencies.

The first method is, as Professor Paul Kennedy points out in his work on The Rise and Fall of Great Powers, the classic way in which economic wealth has been transformed directly into power. But the Germans show no inclination whatsoever for turning ploughshares into swords. Their history has taught them that this is a counter-productive course, a point on which Mr Mikhail Gorbachev would agree.

Bribery can be tried. Some argue that Germany's role as the EC's most important paymaster gives it effective influence over the policies of the smaller and more impoverished member countries. But this influence is limited. One cannot bribe a country to do what it believes to be inimical to its interests, as many a weary servant of the IMF or World Bank will tell you. One might try to buy lobbyists instead, but this does not work too well, in the US or in Europe.

Another form of economic influence is manipulation of the terms on which foreign business can gain access either to the German market or German supplies. Germany's capacity to impose its will in this way is strictly limited. In 1989 about 55 per cent of West German exports of goods – a sum equal to 17 per cent of its gross national product – went to its EC partners. But the German market only absorbed 18 per cent of the total exports of its EC partners. More importantly, Germany produces little for which substitutes cannot be obtained elsewhere. Above all, the Treaty of Rome already precludes such politically-inspired manipulation of trade policy. That was one of the purposes of its founding fathers.

A government can also threaten to dump the currency of another country or prevent its citizens from investing in an economy that is dependent on a large capital inflow. Under fixed exchange rates such threats can be persuasive, as the UK discovered during the Suez crisis of 1956. But, even in theory, no country can do decisive damage to another in this way, provided the potential victim has a range of competitive exports and is also prepared to float its currency. In the specific case of Germany, the absence of exchange controls – combined with the independence of the Bundesbank and the country's commitment to the exchange rate mechanism of the European Monetary System – makes deliberate manipulation of other currencies virtually impossible.

Some might argue that there is another source of economic power. They will point to the monetary hegemony of the Bundesbank within Europe and argue that Germany thus imposes its over-conservative macroeconomic preferences on its neighbours. But currencies can always be untied from the D-Mark. That they are not is because the credibility to be gained by tying to a well-managed currency has been deemed in the interests of the countries doing the tying. It is absurd to complain about the determination of the Bundesbank to pursue the very policies that make its leadership valuable.

In short, where some form of economic power may exist, Germany is already bound not to use it. If it is not adequately bound already, nothing currently proposed is likely to make it more so. The case for any particular development of economic integration in the EC must, therefore, stand on its own merits. It cannot be justified as a way of containing Germany's economic power.

There is also a more general conclusion. Unless a country's wealth is turned into guns it gives a government little power. Wealth is valuable for the pleasure it affords to those who have it. There is little reason to begrudge one's neighbour those hard-earned pleasures, not least when they increase one's own opportunities for earning the wherewithal for pleasure too.

LETTERS

Looking forward on pay

From Mr Chris Trinder.

Sir, Your editorial comment ("Managing the recession," October 31) says wage bargainers should focus on the prospective inflation rate rather than compensating for past movements in the retail prices index (RPI). It certainly seems desirable that rises for the financial year April 1991 to March 1992, compared to 1990-91 should be related to inflation over the same period. Why therefore are backward-looking arrangements widespread and being extended?

For example, the terms of reference of the Interim Advisory Committee on Teachers Pay this year includes for the first time the statement that "the committee's recommendations taken as a whole should fall within the interquartile range of the annual percentage movements in the pay of non-manual employees outside the public services sector, to be calculated for a 12-month period to early November (1990)".

The reason given by the Nurses Pay Review Body on page one of last year's report was the need for consistency.

There is also the problem that inflation forecasts often turn out to be incorrect. On last year's deliberations, the Nurses Pay Review Body reports that the Health Department said that the high level of inflation in October 1989 (7.3 per cent) was expected to be temporary and that it should not be allowed to feed through into excessive pay rises for the coming pay round. On education in 1989, the secretary of state directed the interim committee to have regard to the "falling rate of inflation".

But inflation rose from 7.3 per cent in October 1989 to 10.9 per cent in September 1990. As a result, nurses and teachers have received real pay cuts in the financial year 1990-91 for the first time since 1982-83.

So how can we move away from backward-looking approaches without incurring these disadvantages? One way would be to allow for interim adjustments (which could be up or down) depending on actual inflation in the financial year 1991-92. If inflation "falls sharply" after April 1991, as the chancellor and independent forecasts are confidently predicting, and averages, say, 5 per cent in 1991-92 compared to 1990-91, then nominal pay rises of 6.5 per cent could be sufficient to deliver real wage growth of 1.5 per cent. That is roughly in line with past long-term trend values for Britain and current real wage growth in our European Community partners. If inflation turned out to be 8 per cent, however, then a higher, but not necessarily full adjustment, might be appropriate.

There would still be issues to be decided concerning funding (or surplus cash). But, if a decision to be forward-looking (with safeguards) is not adopted soon, there is a real possibility that, if inflation does fall sharply in the financial year 1991-92, UK real pay rises in that year will be far greater than for our partners and that the benefits of membership of the exchange rate mechanism and the 1992 single market will be jeopardised.

Chris Trinder,
senior research fellow,
Public Finance Foundation,
3 Robert Street, WC2

Support for Meech Lake Accord

From Mr Donald S. Macdonald.

Sir, I want to express disagreement with the suggestion by Bob Gibbens in your Canada Survey (October 23) that the Meech Lake Agreement was repudiated by English Canadians.

The agreement was supported in the Canadian House of Commons not only by the government and its English-speaking supporters, but also by the two opposition parties, the leaders of which at that time were English-speaking Canadians, and elected from constituencies outside Quebec.

The governments of a majority of the English-speaking provinces, representing the vast majority of English-speakers, consistently supported the Meech Lake Agreement, and at the end of it, it was only the government of Newfoundland which refused to do so.

It was the expressed intention of the government of Manitoba also to support the agreement, but due to a filibuster by a Cree Indian member of the legislature, it was prevented from doing so in time.

Donald S Macdonald,
high commissioner for Canada,
Macdonald House,
1 Grosvenor Square, W1

Neglect of vocational attainment

From Mr J. Murphy.

Sir, Your editorial comment ("Time to reform A-levels," October 29) says "economic performance is influenced more by the skills and ability of the workforce as a whole than by the academic prowess of an intellectual élite".

What a pity then, that having questioned the primacy of academic prowess over vocational attainment, this most heretical of editorials should have canvassed a set of proposals which, if realised, would merely perpetuate that institutional neglect of vocational achievement of which it is so rightly critical.

It is not just that reforming A-levels is unlikely to persuade early school-leavers to protract their education – to date only legal compulsion has succeeded in tempering such youngsters' preference for work over study – as that in casting staying on as, in some sense, more desirable than early leaving, your editorial reveals, albeit unwittingly, a preference for academic prowess which all but ensures that trained labour will continue to be discounted as second best.

Is it any wonder, given such latent antipathy to the early leaver, even among heretics, that the nation fails "to cater for the bottom 80 per cent of the ability range".

J. Murphy,
lecturer in education,
Department of Educational Research,
Lancaster University

From Mr Robin Reeve.

Sir, Your editorial expresses the powerful sense of unease in industrial and business circles at the state of education and training for 16 to 19 year olds. There is every reason to think that time is not on our side and we must now solve problems which have hitherto defeated us. Even so, you are in danger of repeating the mistake made so often in the past, namely trying to find a single comprehensive solution for a complex and diverse problem.

It is essential to recognise key features of the situation overlooked in your editorial. The first is that A-level no longer imposes the simple arts/science divide which you describe. In this school well over half our A-level students take mathematics as one of their three or four subjects. The second is that you do not mention AS-levels and so inadvertently take sides with the progressive educational establishment which prefers radical reform to any kind of evolutionary progress.

AS-levels offer an immediate opportunity of widening the sixth form curriculum in just the ways that you would wish without inflicting on it the essentially non-academic purposes of the current proposals of the School Examinations and Assessment Council (SEAC). A third factor is that the European system you applaud offers opportunities both for a high level of achievement and a significant degree of specialisation which the blanket proposals now before us are likely to damage in this country.

Of course we need to consider the people who have not been well served by the A-level system. But we need to adopt a flexible and serious approach which gives esteem to all courses available to the 16 to 19 year olds. Within this spectrum we must, however, provide for our abler students. The current proposals dodge this issue as have so many proposals in the past. It is disappointing that in the City people should be contemplating with equanimity, and even enthusiasm, the demise of one aspect of British education which has proved a considerable success.

Robin Reeve,
headmaster,
King's College School,
Wimbledon Common, SW19

From Mr Douglas Dale.

Sir, There is a better solution to the A-level problem than envisaged in your editorial. The sixth form course should, for the bulk of students, be two years leading to a baccalaureate-style examination, spread across the arts/science divide, but with a third year for those who intend to pass on to further education. In the third year (quite a common feature already) three or four specialist subjects would be taken to full A-level standard.

This would satisfy both the advocates of change and those wishing to preserve the present standard. We should remember that the brightest children are capable of taking GCSE in four years, which should be encouraged. In those cases the extra year required in the sixth form would have been made up in the lower school.

Douglas Dale,
197 Hilderstone Road,
Meir Heath,
Stoke-on-Trent, Staffordshire

FINANCIAL TIMES
Thursday November 1 1990

Violence is a milestone in India's history

Hindus' attack on mosque leaves Moslems increasingly fearful, writes David Housego

IN the deserted streets of Old Lucknow yesterday, little moved except some cows lumbering slowly across the road and an occasional police patrol.

As in 15 other cities in the state of Uttar Pradesh curfew has been imposed on the capital by an administration nervous that Tuesday's storming of the mosque at Ayodhya by Hindu fundamentalists could provoke widespread Hindu-Moslem rioting.

Shops remained closed all day and people were confined to their homes by precautionary measures across this northern state that are without precedent in recent history.

At Maulvi Gunge in the heart of the Moslem area, broken bricks lay scattered on the road – a sad testimony to clashes between Hindus and Moslems that occurred the day before Hindu militants planted their flags on the disputed mosque at Ayodhya.

"It has never happened here before. History was made here that day," says the officer commanding the patrol at the Maulvi Gunge crossroad.

Lucknow, where a quarter of the population is Moslem and which was once the capital of a Moslem principality, has long prided itself that it has no record of the Hindu-Moslem violence that has scarred much of northern India since Pakistan broke away in the bloodshed of partition.

But on Monday, when Hindu militants marched in procession to demonstrate support for the construction of a new Hindu temple at Ayodhya, bricks began to fly – with nobody now certain how the trouble started. One person died and several were injured as clashes spread to other parts of the old city.

Yesterday, as Hindu militants voiced their triumph and elation at having symbolically begun the construction of the temple, Moslems expressed their fears. At nearby Aminabad, where Hindus looted Moslem shops on Monday, a young sales representative for a drugs company said: "Everybody is afraid here. Among the Moslem community nobody feels safe now."

Talking to Moslems, officials in the state government, and to Hindu militants at a camp outside the city where they are being detained, there is the sense that this week's events mark a milestone in India's post-independence history – and that beyond is unknown terrain.

"There have been many incidents [of tensions between Hindus and Moslems over religious sites], but this is the worst," says Dr Syed Kalbe Sabiq, the Shia leader who has worked hard for a compromise over the disputed Ayodhya mosque. Never before has there been such a co-ordinated assault on what Moslems regard as their property.

Faced with conflicting accounts in the press and on the state-owned television, most Moslems remain confused about what happened at Ayodhya on Tuesday. Yesterday's papers in Lucknow carried front-page pictures of Hindu militants astride the mosque's three domes, and further pictures inside of the damage inflicted on the mosque's fabric. But under the curfew, few copies were distributed.

By contrast, the state-owned television broadcast old pictures of the mosque on Tuesday night that showed the domes untouched. The government claimed as well that the mosque had not been damaged.

"If the reports of damage to the mosque are confirmed, there will be riots," said one shopkeeper at Aminabad. "Moslems will be very angry."

Few Moslems now see much hope of a compromise in the Ayodhya dispute. The fundamentalists "don't want a compromise," says Mr Mucktar Anis, a minister in the state government. "They want to demolish the mosque."

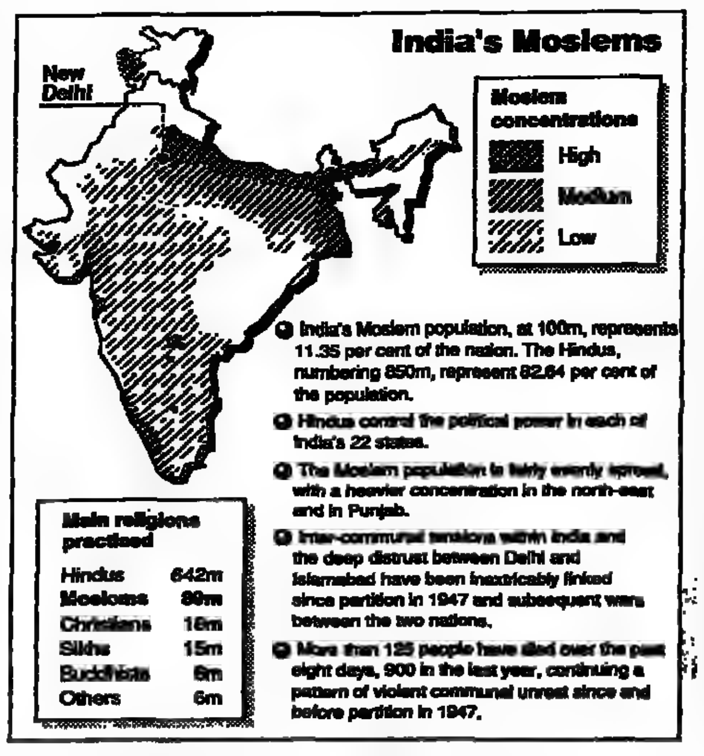
One Moslem who still holds out hope is Dr Kalbe Sabiq, who believes that Hindu and Moslem divines were close to finding a solution last month and should resume talks.

AT the camp outside Lucknow where some 850 Hindu militants are being held, there is also little sign of a readiness to compromise. The militants were arrested while trying to reach Ayodhya to participate in the ceremonies to mark the beginning of construction.

On Tuesday, the police official in charge of the camp came himself to tell them that other militants had succeeded in reaching the interior of the mosque. They celebrated what they described as a triumph.

Mr Sampat Somani, a Bombay businessman and spokesman for the fundamentalist Vishwa Hindu Parishad at the camp, says Moslems should "lie low at the present time" and "gracefully accept" the demolition of the mosque. "What does that mosque mean to them?" he says. "Nothing."

He believes the Hindu radical BJP party could one day take power in India. He sees a place for Moslems in such a state and adds: "They will be very secure but they will not be allowed any mischief."



US AGENCY REPORT

Many S&L failures involved fraud

By Lionel Barber in Washington

CRIMINAL misconduct has been discovered in half of the 493 thrifts seized as part of the multi-billion dollar clean-up operation, the US federal agency in charge of rescuing the savings and loans industry said yesterday.

The Resolution Trust Corporation said in its first quarterly report, issued this week, that fraud contributed to 40 per cent of the savings and loans failures, confirming earlier suspicions that lax regulation coupled with rampant speculation fuelled the collapse of the thrift industry.

The bail-out of the savings and loan industry could cost up to $500bn over the next 30 years, depending on future interest rates and the price of real estate, making it the most expensive financial scandal in history.

The agency promises in its report that federal authorities will recoup as much money as possible for taxpayers, while pursuing criminal fraud and negligence through the courts.

As of September, 322 investigators had completed preliminary investigations of 80 per cent of the seized thrifts; 66 lawsuits have been taken out against savings and loans directors, officers and professionals. So far, however, the agency has recovered only about $26m.

A more serious problem for the agency is the failure of Congress to approve much-needed funds for its continuing rescue operation.

The lack of action is certain to increase the cost of the bail-out by billions of dollars as the agency is forced to delay taking over loss-making S&Ls.

The administration had sought up to $57bn for the 1991 fiscal year, which began on October 1, to cover both core losses on the closure or disposal of failed thrifts and to finance working capital needs. The funds approved by Congress last year have virtually run out.

The savings and loan rescue is unpopular with voters. In the aftermath of the budget fiasco, congressmen had no stomach for approving money for the bail-out ahead of the mid-term elections next week.

Bundesbank urges Kohl to curb spending

By David Marsh in Bonn

THE Bundesbank is calling on the German government to agree rigorous spending curbs next year to free resources for restructuring the east German economy and limit sharply rising public borrowing.

Mr Karl Otto Pöhl, the Bundesbank president, is believed to have told Chancellor Helmut Kohl on Tuesday that the central bank would favour a near-freeze on public spending in nominal terms in west Germany for 1991.

The warning came before the regular fortnightly meeting today of the Bundesbank's policy-making central council. Although there has been speculation that the Bundesbank could tighten credit today, it seems unlikely that the discount and Lombard rates – maintained at 6 and 8 per cent respectively since October 1989 – will be increased.

Mr Theo Waigel, finance minister, who is not due to announce plans for next year's budget until mid-November, has spoken repeatedly recently of the need for spending restraint next year.

Partly because of the campaign for the December 2 general election, he has, however, stopped well short of any firm announcements on cutting subsidies.

Government officials in Bonn said that the Bundesbank's plea to Mr Kohl appeared to be part of the central bank's well-broadcast campaign to warn of the dangers of higher interest rates and/or higher taxes if public spending was not brought under better control.

Mr Pöhl, like other leading Bundesbank officials, is worried that ballooning German public sector deficits are placing growing pressure on the capital markets.

Mr Pöhl is anxious that the Bundesbank should not be too speedily forced into increasing interest rates at a time when many partner countries in the European Monetary System will want easier credit to head off economic downturn.

MR Detlev Rohwedder, the chief executive of Germany's state Treuhand agency, which is supervising 8,000 troubled east German companies, yesterday said that privatisation was being seriously delayed by legal and administrative hurdles.

Mr Rohwedder delivered a bleak assessment of the outlook for speedy economic improvement east of the Elbe, saying that the problems left by 40 years of communism were confronting Germany with "quite enormous" tasks.

● A German court yesterday overturned two laws which allowed long-term foreign residents to vote in local government elections, Reuter reports from Karlsruhe.

Meanwhile, Germany's minister for the family called for a clampdown on the illegal trade in Third World women for prostitution and for tougher measures to combat violence against women and children.

French cut in interest rates takes markets by surprise

By George Graham in Paris

THE BANK of France yesterday lowered its main money market rates by a quarter of a percentage point, catching the markets by surprise.

The central bank's main intervention rate dropped to 9.25 per cent, while its repurchase rate fell to 10.0 per cent.

The interest cut is the second move by the Bank of France in only two weeks aimed at loosening credit conditions in the face of slower economic activity.

It recently relaxed its compulsory reserve requirements, thus lowering the cost of funds for commercial banks and allowing them to reduce their base rates by 15 to 25 basis points.

But Mr Jacques de Larosière, governor of the Bank of France, said at the time of the reduction in reserves that the "charged international situation" and the need to prevent inflation from taking off made it impossible to reduce intervention rates.

The Bank of France said yesterday that the firmness of the franc and recent positive money supply statistics justified the quarter-point cut in interest rates.

The French currency has for some weeks stood above its central rate against the D-Mark in the exchange rate mechanism of the European Monetary System, making a reduction in interest rates technically possible. However, the threat that the German Bundesbank might increase its own intervention rates had seemed to rule out a reduction in French rates.

"We were relatively surprised by the move," said Mr Olivier Eluère, economist at Crédit Lyonnais. "It might not be the ideal moment at a time when inflation is accelerating and the external accounts are deteriorating. On the other hand, production in France is now clearly slowing down and company profit margins are starting to suffer. At the same time, the possibility of a Bundesbank rate increase has diminished."

The Finance ministry has been frustrated by obstinately high real interest rates – and eager to lower the cost of credit, particularly to small and medium-sized companies. The past six weeks, however, have seen much tighter credit conditions, with banks demanding considerably higher margins than in the recent past for new loan business.

Currencies, Page 36

Confidence vote in Dail

Continued from Page 1

The minister looked over his shoulder, checking the coast was clear. The eye gave a big wink, the voice dropped to a mutter. "My lips are sealed," he said, and left.

At the centre of the storm was Mr Lenihan. He was alleged to have lied about a phone call he is said to have made nearly nine years ago to the president, seeking political advantages for Mr Haughey's Fianna Fail Party.

Mr Lenihan had vehemently denied he made the call. The opposition and media had produced evidence to support their charges against Mr Lenihan.

Mr Lenihan is an exceptionally popular politician, both within and outside Fianna Fail. Opoosition parties will now focus their attack on Mr Haughey.

Mr Dick Spring, leader of the Labour Party, said Mr Haughey's government could not tell the difference between truth and lies. Spring.

Hurd calms UK fears on Emu

By Ralph Atkins in London

MR DOUGLAS HURD, the British foreign secretary, sought to heal rifts in the ruling Conservative party over Europe last night by telling members of the party in Parliament that the defence of British interests should be combined with a "constructive and positive" approach to the European Community.

The weekend summit of EC leaders in Rome should not be regarded as an insuperable setback, Mr Hurd said. Italy's insistence on setting a date for the next stage of economic and monetary union was "ill-considered" but there was no feeling of "disaster or tragedy" from the Rome summit. "The dust will settle," Mr Hurd said, adding that there was still much to play for at December's inter-governmental conferences.

His remarks to the Conservative European Affairs committee attempted to focus attention on seeking the best deal possible at the IGCs on economic and monetary union and on political union.

He reiterated that the Treasury's plan for a "hard Ecu" could lead to a single currency for Europe if desired by governments and people. Efforts had to be concentrated on putting positive proposals forward while seeking to protect British interests.

It emerged yesterday that Foreign Office ministers have received assurances from the Luxembourg government – which takes over the presidency of the EC from Italy at the end of the year – that it would do all in its power to ensure Britain is not isolated at the IGC meetings.

Mr Hurd played down the outcome of the Rome summit which set a 1994 as the starting point of the next stage of Emu. In practice both the timing and the content of further steps would be determined by the inter-governmental conference, he said.

At the meeting of about 40 backbenchers from all wings of the party, he tried to defuse anxieties about the IGC on political union, saying what was envisaged was a "Single European Act Mark Two". Rather than the grandiloquent comments of some European leaders, the emphasis would be on constructive institutional reforms.

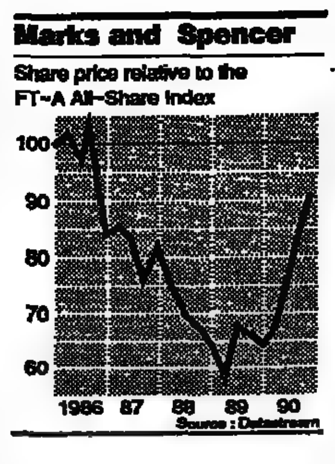
Mr Hurd's comments came on the same day as the Liberal Democrats tabled a motion of no confidence in the government following Mrs Margaret Thatcher's statement on Europe on Tuesday. The prime minister's method of conducting negotiations with other EC leaders "only serves to reduce the influence that Britain has," the party said.

Mr Paddy Ashdown, Liberal Democrat leader, accused Mrs Thatcher of "making a fool of herself". Labour was "muddled and confused" and unable to move a motion of no confidence itself, he added. "On this issue we are the legitimate opposition party. We are the only party to have a united policy."

THE LEX COLUMN

It pays to shop at Marks

The UK markets are suddenly convinced that a further base rate cut is imminent. It is less clear who is leading whom. In the new world of the ERM, the Bank of England's signals have apparently lost their force. But if the authorities are sounding out the foreign exchange market's response to a cut, the reply seems slightly ambiguous. With money market rates now discounting base rates of 13.5 per cent, sterling is now a touch below its central rate of DM2.95.



M and S

Give the market some credit; it may have been wrong about Polly Peck, but it appears to have been right so far this year about ICI and now Marks and Spencer. To turn in a 10 per cent increase in pre-tax interim profits is a rare achievement in this kind of retailing climate. M and S has some way to go before it can really throw off its defensive image; but the signs are that a leaner, smarter company is emerging from Lord Rayner's stewardship.

The strength of UK cash flow jumps out of the figures, defying suggestions that the shares' days of premium rating are nearly over. The full year numbers are unlikely to be quite as positive after increased capital expenditure in the second half; but with operating margins showing remarkable resilience and Christmas sales to come, the company looks very comfortable.

The blemishes are naggingly familiar. Brooks Brothers continues to gobble cash which could be much more profitably employed in the fast-expanding European markets, given that it is unlikely to make a profit for at least two years. The timing of entry into UK home furnishings looks increasingly unfortunate, while financial services badly need the promised kicker from the recent personal loans promotion.

After 40 per cent outperformance this year, the shares are well rated; technocratic retailers do have their fans. On forecast full year profits of £660m, they stand on a somewhat remarkable p/e of around 15 times earnings, or a 30 per cent premium to the market.

Barclays

The restructuring of Barclays is not the first in its 300 year history and will certainly not be the last. Indeed, it is hard to get excited when the chairman of any major company starts lecturing the troops about the need to be market driven and sharpening the focus, unless it is a subtle warning that it is going to shed 10 per cent of its workforce. Given that Barclays employs 60 per cent more people in the UK than ICI, there would seem to be plenty of scope here. Unfortunately, it insists that this is the last thing on its mind at the moment.

Nevertheless, yesterday's restructuring is not just about the internal politics of Barclays, although the fact that BZW seems to be losing some of its independence may cause some angst. Like every other big bank Barclays is wrestling with the age-old problem of how best to exploit its commercial and investment banking businesses. The decision to divorce the prudent control of the balance sheet from the management of the important treasury profit centre is eminently sensible. And while the group structure has been simplified, the question of whether this will improve the long-term performance depends on the quality of Barclays management, which remains the same as before.

Reuters

Let us try to be charitable to Reuters. Perhaps yesterday's share price débacle was merely due to muddled investor relations. It cannot be easy for the company, which has been growing its earnings 35 per cent a year since 1985, to accustom its front men to a bearish financial world in which even such as Citicorp are pulling in their horns. Perhaps Reuters had hyped up the new second phase of the Dealing 2000 foreign exchange system beyond its potential. Hence the 7 per cent drop in the shares yesterday, following yet another postponement.

Or maybe the story is not quite so straightforward. Reuters' shares peaked at £13.18 last July, and closed at 563p last night. How much of that has to do with delays in Dealing 2000? Surely not much. The second phase is a project on which Reuters says it has so far spent around £20m. In the context of a £2.4bn market capitalisation company this is not enough to cause a huge fuss, especially since Reuters is probably pushing earnings ahead 14 per cent this year anyway.

The real worry is that even after the Gulf crisis began, business publishers in the print and electronic media simply failed to foresee that their markets would soften as rapidly as they have this autumn. Some observers will applaud yesterday's 300 job losses at Reuters as a sign of tough leadership. They may just as well be a tacit admission of unrealistic management. It is too early to say that Reuters' shares are a buy on their current multiple of about 11 times 1990 earnings.

Reed International

Reed International's interim figures show the working out of a cautious master-plan. The paper and packaging industries it sold out of are now deep in recession. But as a pure publisher, it might with luck match last year's pre-tax profits of £276m before exceptionals this year, which is good going for an English-speaking publisher in an English-speaking recession. And given Reed's confidence about the inherent strength of its cash flow, the 9 per cent rise in the interim dividend is doubtless sustainable for the final.

The problem is rather the next upturn, when the cautious Reed may well be outpaced by those of its more heavily borrowed rivals who survive the recession. One answer might be cheap opportunistic acquisitions. But though Reed's interest cover of 11 times obviously qualifies it to play the vulture, it would seem that publishing assets are not yet on the market at fire sale prices. In the past four months Reed has underperformed the market by over 15 per cent, chiefly on the assumption – wrong so far – that it would be hit by the drop in UK consumer advertising. At yesterday's 335p, the shares are on almost 10 times current year earnings and a 6 per cent prospective yield. That could be a shade on the cheap side, but not much.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	22	73
Algiers	S	26	79
Amsterdam	S	11	52
Athens	S	26	79
Bahrain	S	28	84
Bangkok	F	32	91
Barcelona	F	22	73
Beirut	–	–	–
Belfast	F	8	46
Belgrade	S	17	63
Berlin	C	11	52
Biarritz	R	11	52
Bombay	S	32	91
Bordeaux	C	12	55
Boulogne	F	12	54
Brussels	R	10	50
Budapest	F	11	52
Buenos Aires	C	20	68
Cairo	S	35	95
Cape Town	S	25	77
Caracas	C	[illegible]	[illegible]
Casablanca	F	22	72
Chicago	S	[illegible]	[illegible]
Cologne	F	13	57
Copenhagen	F	[illegible]	46
Corfu	F	22	72
Dallas	S	13	57
Dublin	R	11	52
Dubrovnik	C	21	70
Edinburgh	S	[illegible]	[illegible]
Faro	F	21	70
Florence	S	22	72
Frankfurt	F	12	54
Geneva	R	11	52
Gibraltar	R	18	65
Glasgow	C	7	45
Helsinki	R	2	36
Hong Kong	S	27	81
Innsbruck	C	11	52
Inverness	F	7	45
Islamabad	[illegible]	23	73
Istanbul	S	21	70
Jakarta	R	32	91
Jersey	C	12	55
Johannesburg	F	27	81
Lima	C	20	68
Lisbon	C	15	59
London	C	12	55
Los Angeles	F	16	61
Luxembourg	C	10	50
Madeira	F	22	72
Madrid	F	17	63
Majorca	S	22	72
Malaga	S	23	75
Malta	S	25	77
Manchester	S	7	[illegible]
Manila	F	32	91
Melbourne	C	25	77
Mexico City	C	17	64
Miami	F	21	70
Milan	Dr	11	52
Montreal	S	0	32
Moscow	R	2	36
Munich	R	7	45
Nairobi	S	26	79
[illegible]	C	22	72
Nassau	F	27	82
New Delhi	S	27	[illegible]
New York	S	11	[illegible]
[illegible]	F	20	68
Nicosia	S	[illegible]	[illegible]
Oporto	F	15	59
Oslo	C	6	43
Paris	F	13	57
Peking	S	20	[illegible]
Prague	F	7	45
Reykjavik	S	2	36
Rhodes	S	25	77
Rio de Janeiro	C	[illegible]	[illegible]
Rome	F	22	73
Salzburg	R	10	50
San Francisco	R	13	57
Seoul	S	19	66
Singapore	F	26	79
Stockholm	R	5	41
Strasbourg	C	13	57
Sydney	S	22	73
Taipei	C	30	86
Tangier	R	20	68
Tel Aviv	S	35	95
Tenerife	Dr	23	73
Tokyo	S	21	70
Toronto	F	1	34
Tunis	S	29	84
Valencia	S	25	77
Venice	R	12	54
Vienna	S	12	54
Warsaw	F	[illegible]	50
Washington	S	7	45
Zurich	R	8	46

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday November 1 1990

INSIDE

Kodak incurs loss of $206m

Eastman Kodak yesterday revealed it had gone into the red in its third quarter with a $206m loss. A judge's ruling that Kodak must pay Polaroid $909.5m after a patent infringement case was the main cause of the bad result, as operating earnings for the quarter increased by 22 per cent. Kodak's after-tax earnings would have been 19 per cent higher without the provision. Page 19

Steel fights counter-attack

Steel is fighting hard to maintain its premier position as one of industry's most important raw materials. Faced with fresh advances in carbon fibre, glass fibre and aluminium, steel has benefited from a generation of new coatings that has spawned a wide range of new applications. But steel's competitors have launched a counter-attack against this renaissance. Lynton McLain reports on the battle among raw material producers. Page 27

Chase tries to do it better

Chase Manhattan's decision to cut its staff by 5,000 is seen by the bank as an opportunity to refocus on the things that it does best. The restructuring will entail moving from a number of underperforming business areas and a new emphasis in its European operations on corporate finance, risk management products, information services and private banking for rich retail clients. Peter Martin examines the bank's efforts to galvanise it competitiveness. Page 22

Laura Ashley details stake sale

Shareholders of Laura Ashley, the UK clothing and furnishings retailer which plunged into losses in its last financial year, should today receive a document detailing the sale of a 15 per cent stake to Aeon, a Japanese retailer. They will have three weeks to consider the proposed deal before it is put to the vote on November 28. The deal would cut Laura Ashley's gearing from 122 per cent to 34 per cent and allow it to negotiate better terms with its bankers. Page 24

Volatile Dublin slumps

The Dublin stock market — one of the smallest in Europe — is proving to be one of the most volatile with share values down over 23 per cent so far this year. The traditional mainstays of the exchange, such as the leading banks, have been hit partly by problems in their overseas markets whereas some of the bright newcomers to the exchange have seen their fortunes badly mauled. The most spectacular flop to date has been the Dublin-based video rental group, Xtravision. Its shares have fallen 91 per cent since January. Back page

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Gerresheimer	294	+	14
Mercedes Hld	485	+	9.5
Schering	678.5	+	8.3
Viag	360	+	9.5
Falls			
Hapag Lloyd	530	−	10
Mannheimer Vers	780	−	10

NEW YORK ($)			
Rises			
Eastman Kodak	38⅞	+	1⅜
Falls			
Alcan Aluminium	18¾	−	⅛
General Mills	83¾	−	2¾
Schering-Plgh	44⅛	−	1⅞
Tyco Labs	39⅞	−	4⅝
Xerox Corp	17¾	−	¾

New York prices at 12.30pm

PARIS (FFr)			
Rises			
Auxiliaire d'Ent	885	+	57
Cetelem	430	+	35
Epeda-Bertrand	970	+	23
Fonciere Lyonn	791	+	31
Lyon Eaux Dum	[illegible]	+	21.8
Uniball	784	+	34

TOKYO (Yen)			
Rises			
Iwatani	1270	+	80
Kigyo Iron Wks	1060	+	50
Kurato-Inds	1370	+	[illegible]
Kyosan Elec	1310	+	60
Onoda Cement	705	+	25
Falls			
Nissho Cnstn	1330	−	40

LONDON (Pence)			
Rises			
ASDA Grp	124	+	4
BAA	388	+	12
Grand Metro	561	+	11
Guinness	707	+	14
[illegible]	412	+	8
K2	833	+	[illegible]
Marks & Spencer	235	+	6
Rechem Env	483	+	18
TACE	204	+	15
TI Group	408	+	5
Unilever	683	+	9
Falls			
Avon Rubber	285	−	9
BTR	2832	−	9
Clyde Petro	173	−	6
Delta	278	−	16
Evode Grp	96	−	12
Frogmore Est	255	−	14
Jackson Grp	83	−	5
Markheath	28½	−	11½
SHM	285	−	3
Reuters	553	−	44
Spirax-Sarco	78	−	5
Whitbread 'A'	493	−	5

Two main divisions for commercial and investment banking ● Boundaries based on ethos

Operational shake-up at Barclays

By David Lascelles in London

BARCLAYS, the UK's largest clearing bank group, yesterday unveiled a new corporate structure which it says will be much better suited to the present-day banking market.

The novelty is that Barclays divisional structure will be based on culture or "ethos" rather than geography and functions as in the past. Sir John Quinton, the chairman, said it was "the logical outcome of developments of the last few years," including the Big Bang in 1986 when Barclays entered the securities business.

The Barclays group is to be divided into two main divisions. One, the Banking Division, will contain the traditional commercial banking business and will be characterised by the clearing bank ethos. The second, the Markets and Investment Banking Division, (MIB) will consist of the global treasury services and Barclays de Zoete Wedd, the group's investment bank. MIB will be based on the more entrepreneurial investment banking ethos.

A third division, the Finance Division, will manage the group balance sheet.

The structure was devised with the help of McKinsey, the management consultants.

The Banking Division will be headed by Mr Alastair Robinson, formerly head of UK banking, and MIB by Sir Martin Jacomb, the chairman of BZW and group deputy chairman. The Finance Division will be run by Mr Brian Pearse, the Barclays finance director.

Sir John said that the changes were intended to address the greater complexity of the Barclays Group since Big Bang, when it acquired stockbroking and jobbing firms and created BZW. He believed the new structure would be better at meeting customers' needs.

The changes would also eliminate overlap between the dealing operations of the global treasury and BZW. This might entail some job losses, but this was not the main object of the exercise. Sir John said the new structure would enable Barclays to focus much more closely on its markets. It would be able to identify more easily which parts of the business were not performing well, and withdraw from them if need be.

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Unisys's twin peaks — losses and debt

Louise Kehoe looks at the lack of confidence in, and likely disposals by, the computer group

Unisys, the computer and defence group formed four years ago from Burroughs and Sperry, is awash with red ink, deep in debt and losing the faith of investors and customers.

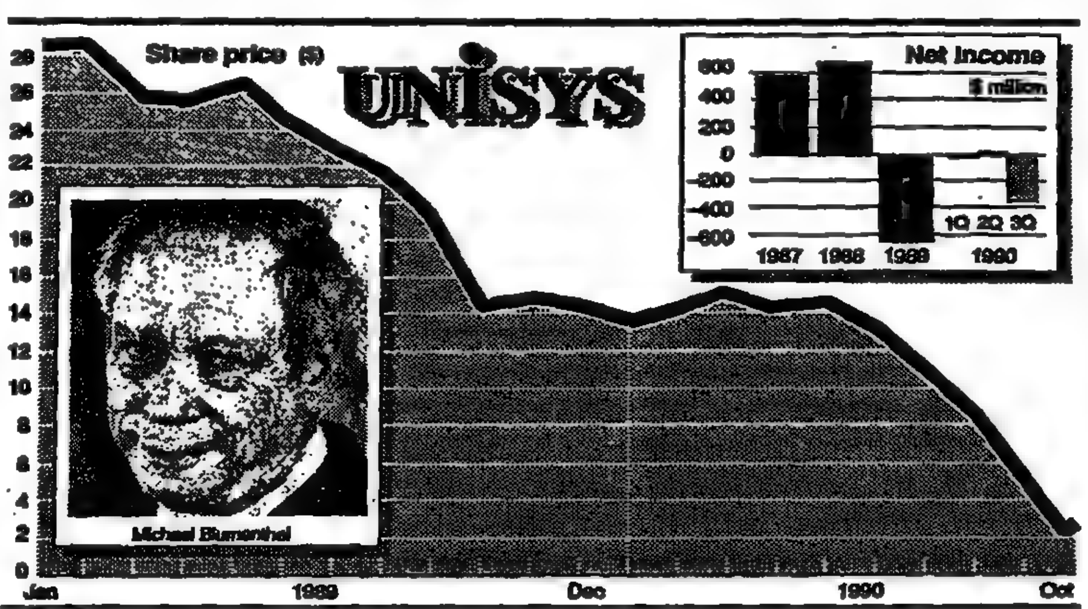
In recent weeks, the group – which has sales of $10bn – has suspended payment of the dividend on its shares, reported a third-quarter loss of $356.8m, and seen its share price collapse to about $2¼, compared with its $17 high of the past 12 months.

The company's management says it does not face an immediate cash crisis, but it aims to sell off significant portions of the business. The sales are likely to include the most profitable operations, leaving Unisys a shadow of its former self.

Unisys's difficulties are not unique. In the past few months almost every large computer manufacturer has announced cost cuts. Industry analysts complain, however, that Unisys always blames the business climate, never its own shortcomings. "The real problem is bad execution by management," says Mr Don Young of stockbrokers Sanford C. Bernstein in New York.

The group's problems go back to the merger between two of the oldest names in computers in 1986. Mr Michael Blumenthal, chairman of Burroughs and architect of the deal, hoped to create a giant to challenge IBM. Combining Burroughs and Sperry would produce, he forecast, a company with $20bn of revenues 1993. Instead, Unisys's revenues have stagnated at about $10bn, well behind IBM's $60bn.

There were two profitable years after the merger, then Unisys lost $639m in 1989. For the first nine months of this year, Unisys lost $348m. According to analysts at IDC, Unisys's share of the mainframe computer market fell to 4.7 per cent last year from a combined 8.2 per cent at the time of the merger.



Michael Blumenthal

Attempting to retain the loyalty of existing Sperry and Burroughs customers, Unisys continued development of the separate computer systems offered by both companies. This cut it off from hoped-for economies of scale and added to research and development costs.

Critics blame Mr Blumenthal for failing to come to grips with this problem. Mr James Unruh, Mr Blumenthal's successor as chairman and chief executive, maintains that the merger was the right thing to do. "I often think about what Burroughs and Sperry would be like had we not merged," he says. "I am convinced that both companies would be in a serious decline."

Mr Unruh has abandoned Mr Blumenthal's ambitious goals. The $20bn revenue target is gone, he says. "I don't focus on growth. I must improve the financial performance of the company, then I will worry about growth."

His measures include cutting the workforce by 10 per cent to about 78,000, selling surplus facilities and cutting inventories. Next come efforts to reduce the company's $4bn debt, a legacy of the merger which costs the company $100m interest a quarter.

Unisys will not comment on what portions of its business will be sold to reduce debt. Analysts suggest, however, that Unisys's one-third stake in Nihon Unisys, its Japanese sales affiliate, is a likely candidate. They estimate that the stake could be worth $500m. Japan's Mitsui, which last year bought $150m of Unisys's preferred stock to help the US company's balance sheet, also owns one-third of Nihon Unisys.

Another candidate for sale is Timeplex, a data communications company which Unisys acquired in 1988 for $320m, during Mr Blumenthal's drive for expansion. Timeplex is one of the few parts of Unisys's computer business that is profitable.

It is no secret that Mr Unruh would like to unload Unisys's $2.3bn defence business, but falling arms spending makes buyers hard to find.

In any case, selling assets will not solve Unisys's longer-term problems. To survive, it must make its operations profitable. The outlook is dismal. In 1991, the company "may break even at best", says Mr Young.

Unisys's recently announced plan to sort out the Babel of its incompatible products may prove too little, too late. Its software strategy "road map", unveiled last month, includes a strong emphasis on "open systems" – computers built to common industry standards in hardware and software.

The "open systems" segment of the computer market, although small, is growing at about 30 per cent per year, much faster than other parts of the business. Unisys has become a significant player here with sales last year of about $1.5bn, but it has yet to earn a profit – and some analysts question whether it can.

Robert Kidd of Dataquest, a market analysis group, argues that open systems computers are becoming commodity products with lower profit margins. To make them profitable, he says, "Unisys will have to find ways to reduce its manufacturing and distribution costs."

Mr Unruh acknowledges the problem. "Open systems are changing the economics of our industry," he says.

While some of its competitors, such as NCR and Hewlett-Packard, have fully embraced the "open systems" movement, Unisys is attempting to play both sides of the market by supporting both proprietary and standard software. The danger is that the company will succeed in neither.

Unisys is focusing its sales efforts – to applause from analysts – on specific market segments such as banks, airlines and the US government. It offers complete packages of automated equipment, such as cheque processing systems for banks.

The question remains whether the company can maintain the confidence of existing and potential customers, given its poor financial health. "Our real concerns are: where is Unisys going to be five years from now? Will the company survive?" says Mr Richard Gass, data processing manager at Employers' Mutual Casualty Insurance in Des Moines, Iowa. Though Employers' Mutual is a loyal Unisys customer, he says, it will have to reassess its computer plans if Unisys's financial situation continues to deteriorate over the next six to nine months.

One possible ending to the Unisys story would be for it to pass into foreign hands, perhaps those of a Japanese electronics conglomerate. Such a deal would cause an outcry in the US, however, and might be vetoed by two big Unisys customers, the US Navy and Army. Whatever happens, the merger that began with such ambitious aims faces an unhappy conclusion.

Special $2.1bn write-off for GM

By Alan Friedman in New York

GENERAL MOTORS, the largest US car maker, yesterday announced a larger than expected $2.1bn third-quarter write-off for restructuring costs, including the closing of four plants that were previously classified by GM as "idled."

Although GM said it had operating earnings of $109m in the third quarter the special after-tax charge caused a net loss of $2bn or $3.54 per share, compared with net earnings of $517m or 72 cents in the same quarter last year. Revenues in the third quarter were 6.9 per cent higher at $30.6bn.

GM's loss comes a day after Ford, the second biggest US automobile group, unveiled a 79 per cent slump in its third-quarter earnings, to $102m.

Mr Robert Stempel, chairman of GM, said the restructuring charges are designed to bring the company's cost structure more in line with the projected level of North American operations.

Mr Stempel said the operating and financial results for the third quarter were achieved during a period of "extraordinary external uncertainties, declining North American consumer confidence in general economic conditions and intense competition in the market place."

The GM restructuring charge is primarily attributable to redundant facilities and related employment costs and includes the closing of assembly plants in Massachusetts, Georgia, Michigan and Missouri.

The charge also includes provisions for other manufacturing and warehouse operations in North America which will be consolidated or closed in the next three years.

GM said the charge has no impact on its overall cash flow. Mr Jean Claude Gruet, an analyst at UBS Phillips & Drew in New York, disagreed with this, however: "The charges are not cash flow neutral because GM is going to have to pay off some of its laid off workers to get them off the payroll," he said, adding that some 40,000 of GM's 340,000-strong workforce are currently receiving lay-off benefits.

Mr Gruet estimated that up to $600m of the $2.1bn charge will be cash flow negative because it may have to be paid out over the next six to 12 months and represents money that would not normally have been spent.

On Wall Street, where some write-offs had been expected, GM's share price was marked $¾ lower to $36¾ in early trading.

Marks and Spencer boosts interim profits by 10%

By John Thornhill in London

MARKS AND SPENCER, the UK retailing group, yesterday continued to defy grim High Street trading conditions by announcing a 10 per cent increase in interim pre-tax profits.

The company's operations in the UK, continental Europe, and Hong Kong saw a strong advance in profitability, although its interests in North America saw a sharp fall in operating margins. Brooks Brothers, the upmarket US clothing store which M & S purchased in 1988, was largely responsible for the fall.

Overall, pre-tax profits in the 26 weeks to September 29 increased from £208.7m ($404.8m) to £230.3m on sales 6 per cent ahead at £2.66bn (£2.5bn).

The results were in line with analysts' expectations and, after some weakness in recent days, the company's shares rebounded to close 6p up at 235p in London trading.

Commenting on the prospects for the second half, Lord Rayner, the chairman, said it would be difficult to achieve sales growth while high interest rates and international political uncertainties persisted.

But Lord Rayner, who is due to retire in March, added that he was confident these difficulties could be minimised and that the company would be well placed when trading conditions improved.

In the UK and the Republic of Ireland, M & S increased food sales by 9.6 per cent to £963.8m. Clothing sales, which fared less well, were only 4.9 per cent up at £1.07bn; lingerie and childrenswear showed good gains although tailoring was disappointing.

The homeware division was hit by the poor housing market and sales grew by just 4.7 per cent to £227.5m. Financial services were also affected and saw pre-tax profits decline to £4m (£5.7m).

M & S's activities in continental Europe benefited from more resilient markets. Operating profits rose from £5.7m to £8m on sales up 35 per cent at £65.9m.

These gains, however, were partly offset by a poor performance in the US where trading profits fell from $12.4m to $5.8m. The contribution from Brooks Brothers fell from $8.1m to $1.5m, which represented an "unmitigated disaster" said one analyst.

Mr Keith Oates, finance director, said Brooks Brothers had been badly hit by highly-indebted US retail chains liquidating stocks in a bid to raise cash.

But M & S said that the Brooks Brothers stores in Japan had produced excellent results.

The interim dividend was lifted by 8 per cent to 2p (1.85p). Earnings per share rose to 5.4p (5p).

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Marine Midland losses hit $111m

By John Elliott in Hong Kong

MARINE Midland Bank, the New York based subsidiary of the Hongkong and Shanghai Banking Corporation, yesterday reported a huge increase in third-quarter net losses to US$111.5m compared with a profit of US$52.2m in the corresponding period last year.

The latest results were described by Hongkong Bank as "very significant and very disappointing". Further losses are expected in the fourth quarter, and the cumulative results will hit the performance of the Hongkong banking group which announced a drop of more than 20 per cent in interim net profits two months ago.

Marine Midland, which is undergoing a radical restructuring of its activities, is continuing to be hit hard by problems in the US commercial property market. In the third quarter it made a US$172m provision for loan losses, which were mainly caused by higher levels of non-performing property assets.

The latest loss follows a second-quarter loss of US$25.8m. There were small net profits of US$6.0m in the first quarter and a net loss of US$120m in the fourth quarter of last year when provisions rose to US$263.3m.

The bank said last night that the commercial property market weakness was primarily responsible for its domestic non-accruing loans rising to US$1.1bn or 6.4 per cent of domestic loans on September 30. Other property in the portfolio was US$302m.

Mr Geoffrey Thompson, Marine's president, said that the bank was "pleased with progress we have made towards increasing profitability of our core businesses". Operating expenses, excluding credit-related and restructuring expenses, were down 3.4 per cent from the previous quarter and down 9.5 per cent from the third quarter last year.

Under new risk-based capital guidelines for 1992, Marine's tier 1 capital amounted to approximately 5.05 per cent at the end of September, up from 3.77 per cent at the end of 1989.

During the quarter, US$100m of subordinated debt held by a Hongkong Bank group company was replaced by a similar amount in shareholders' equity. This was part of the US$300m made available to Marine by its parent.

INTERNATIONAL COMPANIES AND FINANCE

Reed shrugs off media slowdown

By Raymond Snoddy in London

REED International, the UK publishing and information group, has so far shrugged off the worst effects of the deteriorating market for advertising.

The company, whose interests range from business and professional publishing in the US to IPC consumer magazines in the UK, announced pre-tax profits of £109m ($212.5m) in the six months to September compared with £128m for the same period last year.

Despite the fall, Mr Peter Davis, chairman and chief executive, said the underlying strength of the company had improved. He said turnover was up 6 per cent, operating profits from continuing businesses up 7 per cent to £120m, and margins slightly higher at 15.7 per cent.

The slowdown in economic activity in the UK and US and the uncertainties caused by the Gulf crisis would continue to affect business confidence, he said.

Reed said the drop in profits was caused by the absence of exceptional items, the weakness of the dollar, and the fact that recent acquisitions made their main profits in the second half.

Earnings per share were also down to 13.7p compared with 16.3p, but operating cash flow was 56 per cent higher at £67m.

The dividend is up 9 per cent to 5p. Reed's net debt at the end of September was £358m, £19m lower than at the end of last year despite the £116m spent on acquisitions.

Consumer publishing was particularly strong, with profit up 88 per cent at IPC Magazines – 22 per cent after excluding the impact of the TV Times acquisition and new magazine launches.

Advertising for business publishing in the UK has fallen off abruptly during the summer. Reed, like Pearson, publishers of the Financial Times, is a major shareholder in British Satellite Broadcasting. It said the current climate made BSB's short-term goals "more challenging".

Mr Eric de Belaigue, publishing analyst at stockbrokers Panmure Gordon, said yesterday Reed still represented good value, although he was downgrading his full-year forecast from £282m to £266m. He said Reed could reap the rewards of its financial strength by making a major acquisition in the next 12 months.

Mr Davis warned, however, that "we are biding our time" on acquisitions. He wanted to see the full depth of the recession and have some feel for the outcome of the Gulf crisis before making any big move.

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BCP forms link with Italian state bank

By Patrick Blum in Lisbon

BANCO COMERCIAL Portugues (BCP), Portugal's leading private bank, and Cariplo, Italy's state-owned savings bank and its largest financial institution, have agreed to take reciprocal minority participations in each other and to establish a mortgage company in Portugal.

Under the agreement announced yesterday, Cariplo will take a 1.5 per cent stake in BCP, and the Portuguese bank will take an undisclosed stake in one of the Cariplo group's financial companies.

This is BCP's second cross-holding arrangement with a foreign bank – it already has a similar 1.5 per cent cross holding with Banco Popular Español of Spain. BCP plans to gradually build up similar relationships and joint ventures as a way to strengthen its international presence and activities.

The two banks have agreed on "mechanisms of co-operation" to support each other's activities, especially in the growing area of trade financing. The joint venture mortgage company will be owned on a 50-50 basis.

BCP was established only five years ago, but it has been one of Portugal's fastest growing and most profitable banks, and is now the country's largest quoted company accounting for over 10 per cent of the market capitalisation on the stock exchange.

It is currently seeking a controlling share in CISF, Portugal's leading investment and financial services company, to strengthen its merchant banking activities , and is expanding at the rate of about six new branches a week with the aim of increasing its branch network from above 100 to 170 by the end of the year.

INTERNATIONAL COMPANY NEWS IN BRIEF

SAFT, the battery division of the French electrical engineering company Compagnie Générale d'Electricité, said it has suspended negotiations to buy the Nife battery unit of Sweden's Cardo, Reuter reports.

SAFT said the talks broke down over the question of price after a thorough examination of Nife's books. But, although it would give no more details, it said: "The doors (to a deal) have not been completely closed."

■ **Volkswagen's** case against the National Bank of Hungary in connection with the currency dealing scandal uncovered three and a half years ago, has been decided substantially against the German car manufacturer, writes Katharine Campbell.

The decision at the end of last week in a Frankfurt district court ordered the National Bank of Hungary to pay over just DM55.25m of the DM270.5m ($178.1m) damages claimed by VW. It is not known whether either side will appeal against the decision; details of the judgment are not yet available.

VW lost around DM473m in a foreign exchange fraud that emerged in March 1987. The National Bank of Hungary was a counterparty to the alleged fraudulent forward contracts struck between a number of VW traders and a Frankfurt-based foreign exchange broker.

■ **Nippon Oil**, Japan's largest petroleum products distributor, said the strengthening yen and improved sales helped boost half-year pre-tax profits by 46.5 per cent last year to Y13.1bn, and sales rose 13 per cent to Y954.7bn, writes Martina Gannon.

Shrugging off concern at the uncertain situation in the Middle East, Nippon Oil expects the strong growth to continue. The company sees its pre-tax profits rising 41 per cent over a year ago to Y30bn in the year to March 31.

■ **Wertheim Schroder**, the US securities house, said it will close as a primary dealer in US government securities, effective immediately, Reuter reports.

Four other firms have pulled out as primary dealers this year – Midland Montagu Securities, Westpac Pollock Government Securities, BNY Securities and Drexel Burnham Lambert Government Securities.

There was speculation earlier yesterday that Wertheim may also end proprietary foreign exchange trading, but the company said this was unfounded.

■ **Algemene Bank Nederland**, a unit of ABN Amro Holding, is considering selling its insurance subsidiary R. Mees & Zoonen Assurantien to a large foreign insurer, Reuter said.

The statement said first contact with potential purchasers had been made, but ABN added the talks were still in a preliminary phase. It would not name the parties involved.

Mees & Zoonen was seeking an insurance broker with a strong worldwide network to take it over so it could reap full benefit from European unification and economies of scale, ABN said.

Mees & Zoonen acts as an insurance broker for companies in the Netherlands and abroad. ABN said the insurer's activities differed from other ABN insurance units and did not use the same network of offices. The company has 330 workers.

Stora sells Finess tissue unit for SKr583m

By John Burton in Stockholm

STORA, Europe's largest pulp and paper concern, yesterday began dismantling the remainder of its Swedish Match operations, acquired only two years ago, by selling the Finess tissue division to the Swedish paper company Duni in a SKr583m ($103.4m) deal.

Stora announced two months ago that it would sell Finess, together with Stora Kitchen and the Tarkett flooring business, to help finance its DM4bn ($2.63bn at current rates) purchase of Feldmühle Nobel, the German conglomerate, in April.

Stora expects a net capital gain of SKr300m from the sale and a SKr1.2bn reduction in its debt burden of SKr30bn.

The divestment of the three Swedish Match units follows the disposal of the company's match, lighter and shaving products sector last year.

Duni, owned by the Swedish newspaper and investment company Marieberg, said the acquisition would raise its annual turnover from SKr2.3bn to SKr4.4bn and make it one of Europe's leading producers of disposable paper products.

The Duni purchase excludes Finess's Billerud Burk paper production plant, which was sold on Tuesday to Norway's leading packaging company M Peterson & Son for an undisclosed amount.

Mr Conny Karlsson, Duni president, said that the deal would broaden the company's product range and strengthen its position against its prime European competitors, which include Scott Paper and the James River/Nokia/Ferruzzi joint venture alliance.

Duni estimates that Finess profits for 1990 will cover its interest payments for the purchase. It predicted that future profits will be boosted by SKr100m through production savings stemming from the merger.

Finess reported a 51 per cent operating profit drop to SKr23m for the first eight months of 1990.

DSM falls as Gulf crisis lifts raw material costs

By Ronald van de Krol in Amsterdam

HIGHER raw material costs sparked by the Gulf crisis helped push down third-quarter net profit at DSM, the Dutch chemicals group, by 19 per cent to Fl 188m ($109m).

The decline brought results for the first nine months to Fl 676m, a drop of 22.8 per cent compared with the same period of 1989. If extraordinary items are excluded, the decline is slightly smaller at 19 per cent.

In its first concrete forecast, the company said yesterday that 1990 net profit, excluding extraordinary items, "may" exceed Fl 800m this year, compared with a record Fl 1.04bn in 1989. This would be equivalent to a fall in full-year profits of 22.6 per cent.

Traders on the Amsterdam stock market were relieved that the latest figures were not worse, and DSM shares gained Fl 2.90 to close at Fl 84.20. Third-quarter results at Akzo, the bigger of the Netherlands' two main chemicals groups, are due to be published today.

DSM has faced sudden increases in the price of major feedstocks such as naphtha and gas oil since Iraq's invasion of Kuwait. Only part of this increase could be passed on to customers in the form of higher selling prices for some products. Overall, the group's overall selling prices slipped by an average of 1 per cent.

The company took a Fl 40m write-off against third-quarter operating results to reflect the future risks of processing and selling chemicals from oil and oil products recently bought in at levels above $25 a barrel. DSM's inventories were worth Fl 1.5bn on September 30.

Third-quarter operating profit showed a more modest decline than net profit, falling 13 per cent to Fl 266m. DSM said pressure on operating profit had been contained by a 9 per cent expansion of sales volume.

In guilders, sales fell 2 per cent at Fl 2.4bn, due mainly to the deconsolidation of Macintosh, DSM's 56 per cent-owned clothing retailer. On a comparative basis, turnover rose 8 per cent in the period.

Downward trend continues at UBS

By William Dullforce in Geneva

THE TURN of events in the Middle East would determine whether the downward trend in Union Bank of Switzerland's 1990 profits could be halted in 1991, Mr Robert Studer, president of the executive board, said yesterday.

He acknowledged without giving figures that 1990 cash flow would be lower than that for 1989 both in the parent bank and in the group as a whole. The bank posted a cash flow of SFr1.76bn ($1.37bn) last year.

During the first nine months earnings had been substantially lower than during the corresponding period of 1989 at both parent bank and group levels, Mr Studer said. Last year the bank posted a record net profit of SFr902m, up 15.9 per cent from the previous year.

The eruption of the Gulf crisis in August had destroyed the expectations of good 1990 profits when a pronounced second-quarter improvement followed a disappointing first three months, Mr Studer said. Early in September UBS still said it expected to match the 1989 results.

Shrinking interest margins and a sharp decline in fees business had caused the decline in earnings. Margins had deteriorated in practically all Swiss credit sectors. On the international side significant interest-rate losses had been incurred on credits to some developing countries.

Costs had been held below the level budgeted for 1989 thanks to strict control and the positive effect of exchange rate fluctuations.

Next year would be difficult for UBS, Mr Studer said. Interest-rate margins would scarcely improve, even if a fall in Swiss short-term rates to around 6 per cent in the last quarter could be envisaged.

Possibilities were certainly better for fee-based business but any improvement in overall earnings would depend on cost control.

Rise in first-half net profit for GBL

By Our Financial Staff

GROUPE Bruxelles Lambert, the Belgian holding company, has reported a rise in first-half group net profit to BFr5.63bn ($180m) from a revised BFr5.49bn and said it expects 1990 group and parent net profit to be higher than in 1989.

GBL's group net profit fell 27 per cent in 1989 to BFr4.26bn after it wrote off its stake in the US investment bank Drexel Burnham Lambert, taking a BFr3.2bn charge. The balance sheet total at the end of the half year fell to BFr138.9bn from BFr154.83bn a year earlier.

GBL said the expected profit rise this year meant it would pay at least an unchanged dividend on 1990 results. GBL paid a gross ordinary dividend of BFr182 francs per share in 1989, up 5 per cent from 1988. The company said its six-month 1989 profit figure had been revised after it eliminated the BFr271m contribution from its stake in Drexel.

First-half group capital gains in 1990 fell 20 per cent to BFr1.73bn, but GBL had not yet booked several billion francs of gains on the sale at the end of June of a 19.5 per cent stake in Wagons-Lits.

First-half net earnings per share were BFr271 against a revised BFr291. The estimated net asset value per share fell to BFr4,112 from BFr4,645.

Bethlehem Steel tumbles as prices of products slide

By Nikki Tait in New York

BETHLEHEM STEEL, the second-largest US steelmaker, yesterday reported a plunge in after-tax profits during the third quarter to $10.1m from $46.9m. Earnings per share were 5 cents on a fully-diluted basis, against 53 cents in the corresponding period a year earlier, while sales dipped slightly to $1.21bn from $1.27bn.

The worsening performance was blamed on a slump in steel prices, particularly for structural products, and higher operating costs at most of its steel plants. A new labour agreement came into effect on June 1, while modernisation plans caused disruption and contributed to higher operating costs.

The company added that "severe market and competitive pressures" continued to affect the bar, rod and wire division. Bethlehem said that its plan to make more than $100m worth of facility improvements is dependent on gaining a "more competitive agreement on labour costs" with the United Steelworkers' union.

It warned that further plans to tackle restructuring alternatives for the structural products, and rail products and pipe, divisions could lead to "significant capital expenditures and/or material charges to income".

Steel-related operations made a loss of $12m against an $8m loss in the third quarter.

For the nine months, net profit was down by 73 per cent to $53.3m from $195.7m. Per-share earnings were 46 cents against $2.35. The previous year's figures also included a charge of $105m for restructuring. Revenues slipped to $3.7bn from $4.11bn.

Bethlehem said the slowdown in the economy had recently begun to affect the order entry rate, but that the third quarter was "relatively strong". It warned that figures for the fourth quarter and for 1991 would be affected by modernisation costs as the company attempted to push down its cost base.

Kodak reveals $206m loss due to Polaroid payment provision

By Nikki Tait

A JUDGE'S ruling that Eastman Kodak must pay Polaroid $909.5m as the result of a patent infringement case left the photographic, drugs, chemicals and information group with a loss of $206m in the third quarter.

However, Kodak said that operating earnings for the quarter increased by 22 per cent compared with the same period a year earlier, and that the damage was done by the charge taken to cover the litigation judgment.

Mr Kay Whitmore, Kodak's chairman, said: "While no money has yet changed hands, and the litigation has yet to be finally resolved, this charge to earnings is appropriate at this time."

Ahead of the provision, Kodak's after-tax earnings would have been 19 per cent higher at $358m, while earnings per share would have risen 18 per cent to $1.10.

After the litigation charge, the loss per share worked out at $0.64, compared with a $0.93 profit in the corresponding period last year.

Sales during the three-month period rose by five per cent to $4.77bn.

Kodak shares rose by $1⅜ to $39⅞ in New York yesterday morning.

Overall, Kodak said that the progress came largely from overseas markets with "good gains in international markets partly offset by lagging US shipments, reflecting continued weakness in the domestic economy".

The chemicals and drug businesses were mentioned as particularly commendable performers.

The company also remained optimistic about the full-year: "Although we are concerned about general softness in the US economy, we have characterised 1990 as a year of higher sales and sharply higher operating earnings," said Mr Whitmore.

"We see no reason to change that characterisation."

Brazil holds crisis talks over future of Embraer

By Christina Lamb in Rio de Janeiro

CRISIS meetings have been underway in Brazil's Aeronautics Ministry to discuss the severe financial straits of Embraer, Brazil's state-controlled aircraft manufacturer and one of the country's few state sector success stories. In recent months the company has been hit by falling sales and Brazil's tight monetary situation.

Embraer was expected to announce last night the dismissal of a third of its workforce, a cut in production and a 50 per cent reduction in salaries of those earning more than $1,100 a month, the difference to be made up with shares.

Mr Antonio Augusto de Oliveira, spokesman for the company, confirmed that 4,000 of its 12,800 employees would be dismissed as "part of a series of restructuring measures" and production would be cut. He agreed this meant the $700m sales target predicted for this year in June would not be reached and said "we have two months to recuperate losses otherwise we'll end the year with a $230m loss".

Work on Embraer's first jet-powered passenger aircraft, the EMB-145, is to be suspended and production of the AMX ground attack aircraft in collaboration with Italian companies Aermacchi and Aeritalia, cut from eight to six this year. Instead, work will be concentrated on the 20-40 seater Brasilia, the company's most popular aircraft, for which the company has 26 orders.

The details were revealed to ministers in Brasilia on Tuesday night by the President of Embraer and later discussed with the head of the local metalworkers' union who protested against the decision.

The aeronautics ministry yesterday issued a statement confirming that the company's financial difficulties had made necessary a "financial cleansing process" to guarantee the continuation of its programmes. The statement blamed Embraer's difficulties on "the delay in launching the 19-seat Vector, the reduction in sales of the Tucano trainer due to lack of adequate financing and non-closure of contracts." The latter has meant a $65m loss in expected sales revenue.

But company officials said the real cause of the crisis was recent difficulty in obtaining financing in Brazil's current economic situation with real interest rates of more than 10 per cent a month.

Embraer has been unable to to obtain long-term loans for its leading projects, such as its new 19-seat Vector turboprop developed in co-operation with FAMA, the Argentine airline. FAMA has reduced its share in the project from a third to 20 per cent.

Travelers reports after-tax loss of $499m

By Nikki Tait

TRAVELERS, the fifth largest US insurer which set alarm bells ringing in the sector after warning of problems with its property portfolio earlier this month, yesterday reported an after-tax loss of $499.3m in the third quarter.

The loss was in line with Travelers' predictions earlier this month, and comes after its previously-announced decision to add $650m to reserves to cover the company's poorly-performing mortgage loans and property investments.

Travelers said that, if the reserve addition were excluded, third-quarter after-tax profits were up by 47 per cent.

However, this, too, is an unfair comparison; in 1989, the company was hit by particularly severe natural catastrophe losses, totalling $68m in the quarter, against the more moderate $13m in the same three months of 1990.

Adjusting for both factors, Travelers said that net income was up by nine per cent.

On the property-casualty commercial lines, net income before real estate provisions of $17m was $51m ($35m), but Travelers said that underwriting results continued to be weak in the face of "very competitive market conditions".

The combined ratio was 119.3 per cent, against 121.5 per cent in the same period a year earlier.

Property-casualty personal lines had a net loss, before the provisions of $11m (a loss of $7m).

Individual life, health and annuities had net profits (pre-provisions) of $36m ($18m); managed care made $29m ($24m); asset management and pension services, $48m ($24m).

Domtex posts C$15.4m first-quarter loss

By Robert Gibbens in Montreal

DOMINION Textile, Canada's largest integrated textile group which is facing the impact of a North American recession, has posted a first-quarter loss and cut its dividend from 15 cents a share to 7 cents.

The C$15.4m (US$13.2m) loss or 55 cents a share, compares with a profit of C$4.7m, or 12 cents a share, in the corresponding period a year ago. Sales were $300m, down three per cent.

Mr Charles Hantho, president, said Domtex would sell its headquarters in Montreal and might divest itself of some businesses. It would invest more in developing countries to reduce costs.

Financiers face a deal of trouble

Nikki Tait on a failure to fund a transaction that made industrial sense

A cold shiver is running through Wall Street's investment banking parlours.

For months nobody has found debt-funded transactions easy to arrange. However, last week's failure by Ball Corporation to consummate its $1.05bn purchase of Continental Can's European packaging operations, may underline fresh difficulties.

Unlike many deals which have failed to come to fruition recently, this was neither grossly ambitious from a financial standpoint, nor lacking in industrial logic.

Gearing of the on-going company was estimated at some 60 per cent, and post-acquisition asset sales did not form a part of the financial package.

Underlying trading, meanwhile, appeared good at both companies. Ball, an Indiana-based packaging company which has made abortive attempts to enter the European sector before, reported third-quarter earnings per share up to $1.99 from $1.49, with the forecast of "a much improved year".

And both buyer and seller insist – privately and publicly – that CCE was doing nicely, too. "As the deal wore on," claimed a disappointed Ball, "the business in Europe got better from an operating point of view".

In the formal statement calling off the deal, the two parties pointed the finger at the financial sector.

"Due in major part to the recent turmoil in world financial markets, and in particular the US banking community, Ball has not yet arranged financing", which they said compromised the certainty and timing of the deal's closing.

One party close to the transaction suggested there may have been considerations other than financing, although others play down the idea. But if funding fears were a leading part of the problem, the conclusion is damning enough.

Wall Street's investment bankers have claimed that "strategic transactions" would continue to flow even if "financially-driven" deals were things of the past.

Now transactions falling into the former camp appear to be on the danger-list as well – to the detriment of industry as well as the M&A merchants.

So what, from a funding viewpoint, was the hitch? Ball said that, while post-acquisition ratios were undemanding by the standards of the late 1980s, the deal was still classified as a "highly leveraged transaction", and that this was the significant obstacle.

The US authorities, unlike those in the UK, have formally defined "HLTs". A deal falls into this category if:

- The ratio of total liabilities of the post-acquisition vehicle to total assets – the leverage ratio – exceeds 75 per cent;
- The deal doubles a borrower's liabilities and results in a leverage ratio of more than 50 per cent;
- Or it is designated an HLT by the syndication agent.

Clearly, these are not necessarily demanding ratios. The Ball deal, moreover, appears to have been a "borderline" case. The funding involved bank loans of about $625m, and $400m of new securities, which would have given CCE's parent, Peter Kiewit, a 29 per cent stake in Ball.

According to Ball, its advisers considered whether the transaction could be restructured to take it out of the HLT range.

But once tagged with the HLT label, any deal's prospects look grim at present. Wall Street's investment bankers are virtually unanimous in saying that the US lending banks are fixated by the need to display their year-end capital ratios in the best possible light. "The banks are in terrible shape," said a senior executive at one of the largest Wall Street players. "All of them have told us that there is no deal that can be done before the year-end".

Adding to the problem, he suggested, was the syndication issue. No one wants to take loans in the syndication process, because – when the ability to take on new loans generally is severely squeezed – this does not attract the juiciest fees. But no one is prepared to risk taking large chunks of a loan as lead bank, because the exposure is too great.

Moreover, although some loan problems are specific to the US banks, there is little chance of their absence from the market being filled by Japanese lenders, who have their own problems.

The European banks, meanwhile, have always been smaller players on the M&A front, although some Wall Street players were suggesting that they would now be "in the driver's seat".

Tales of problems are heard at every turn. "We're working with a client, who acquired a hotel with his own money, and it's taken almost a year to get a second mortgage", moaned one corporate finance employee.

Textron, the large aerospace and financial services group, told analysts yesterday that it had taken 15 months to sell a small foundry business, after three lots of buyer-financing collapsed.

How long will the situation persist? There are some suggestions that once the banks have published their year-end balance sheets the position may improve. But few are hopeful.

In the third quarter of 1990, the total value of announced deals involving US target companies fell to $28.2bn, compared with $71.9bn in the same period a year earlier.

The largest HLT which one leading investment bank says it was told would be possible in 1991 was $1bn.

"If there is a peaceful Middle East solution in the not-too-distant future," suggested a more optimistic Mr Robert Lynch in Nikko's M&A department, "you might see credit easing up by the late-spring/early summer."

Citicorp is to reduce its 17,000-strong corporate business division workforce by 2,000. The cuts, which are part of the restructuring unveiled in July, will mainly affect middle management and professionals in lending and deal-making, writes Alan Friedman in New York.

The bank said yesterday that some 700 employees in its North America corporate division had left over the past five months and a further 400 would be made redundant before year-end.

About half of the other layoffs will come in Asia, Europe and Australia while the rest will go with the planned sale of assets next year.

Manufacturers Hanover sues Equitable Life for $600m

MANUFACTURERS Hanover Trust has launched a highly unusual $600m lawsuit against the Equitable Life Assurance Society, the third largest US insurance company, alleging fraud and other wrongful conduct in a New York real estate deal arranged by the Equitable, writes Alan Friedman.

The suit charges that the Equitable – which in 1985 formed a real estate partnership to acquire and develop a New York office block that has been funded by $284m of loans from a consortium of banks led by Manny Hanny – forced the project into bankruptcy two weeks ago "solely to further its own interests" and without giving any prior notice of its intentions.

Manny Hanny said it was "outraged" at the behaviour of the Equitable, which had formed a partnership with Tishman Speyer, the real estate developer, and 25 other partners to buy a 54-storey office in mid-town Manhattan.

A spokesman for the Equitable said the bankruptcy move "was in the best interests of the partnership" and added it was interested in restructuring the loan agreement.

The lawsuit requests $100m in compensatory damages and $500m in punitive damages.

BNS chief quits post to become president of BCE

By Bernard Simon in Toronto

A FUNDAMENTAL shift has taken place in the top ranks of two pillars of Canada's corporate establishment with an unexpected move by Mr L. R. "Red" Wilson from his job as vice-chairman of Bank of Nova Scotia to president and chief operating officer of the Montreal-based telecommunications conglomerate BCE Inc.

Mr Wilson, 50, joined BNS, Canada's third biggest bank, only a year ago and had emerged as a leading candidate to succeed the present chairman Mr Cedric Ritchie on his retirement. He was brought into BNS as part of efforts to strengthen a depleted senior management and to improve morale at the bank.

A BNS official said yesterday Mr Wilson was leaving "because the challenge at BCE would attract a man of that calibre."

But reports have surfaced recently of tension between Mr Wilson and the other main contender for the chairman's job, Mr Peter Godsoe.

BCE is in the throes of a sharp change in direction, having shed its pipeline and real estate investments recently to concentrate on its telecommunications holdings.

BCE said yesterday Mr Wilson would assume day-to-day operating responsibility for the holding company and for many of its units. The company's chairman, Mr Raymond Cyr, will devote more time to overall strategy and to oversight of Bell Canada and Northern Telecom.

■ Dofasco, Canada's largest steelmaker, suffered an 89 per cent drop in third-quarter profits due to a strike at its Algoma steel subsidiary and slowing demand from the construction and car industries, writes Robert Gibbens.

Earnings were C$7.2m, (US$6.2m) or 1 cent a share, down from C$67.5m, or 94 cents, a year earlier on revenues of $822m against $942m.

Nine-month profit was $44.8m or 38 cents a share, down 73 per cent from $167.4m or $2.28 a share.

Revenues were $2.6bn against $3bn.

Algoma, shut down during August and September, posted a nine-month loss of C$64.6m against profit of C$12.2m. The third-quarter loss was C$37.4m.

USX slides in third quarter

By Martin Dickson in New York

USX, the steel and energy group, reported a small drop in third-quarter net income and announced organisational changes to its steel operations that would make it easier to sell off parts of the business – the largest steelmaker in the US.

The board has approved the transfer of its steel operations into a wholly-owned subsidiary, to provide "the flexibility for any steel restructuring undertaken by the company".

Third-quarter net income was $163m, or 63 cents a share, on sales of $5.1bn, compared with $175m, or 62 cents, on sales of $4.4bn last year.

However, the 1989 figures included $98m of pre-tax profits from asset sales, compared with $5m this time.

Operating income for 1990 was 26 per cent up on the third quarter of last year, at $392m.

Nine-month net income totalled $551m or $2.10 a share, compared with $721m or $2.62 for the same period a year ago, on revenues up to $14.43bn from $13.84bn.

PUBLIC WORKS LOAN BOARD RATES

Effective October 31

Years	Quota loans repaid by EIP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			12⅝			13⅜
Over 1 up to 2	12⅝	12⅝	12¼	13⅝	13⅝	13
Over 2 up to 3	12⅜	12⅜	12⅛	13⅜	13⅜	12⅞
Over 3 up to 4	12¼	12¼	12⅛	13¼	13¼	12⅞
Over 4 up to 5	12⅛	12⅛	12⅛	13⅛	13⅛	12⅞
Over 5 up to 6	12⅛	12⅛	12⅛	12⅝	12⅝	12⅝
Over 6 up to 7	12⅛	12	12¼	12⅝	12½	12¾
Over 7 up to 8	12	12⅛	12¼	12½	12⅝	12¾
Over 8 up to 9	12⅛	12⅛	12¼	12⅝	12⅝	12¾
Over 9 up to 10	12⅛	12⅛	12¼	12⅝	12⅝	12¾
Over 10 up to 15	12¼	12¼	11⅞	12¾	12¾	12⅜
Over 15 up to 25	12⅛	11¾	11½	12⅝	12¼	12
Over 25	11⅝	11½	11⅜	12⅛	12	11⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

INTERNATIONAL COMPANIES AND FINANCE

Japanese giant sets its sights on the world

Alice Rawsthorne on Dentsu's plans for global expansion in advertising and marketing

For the last year or so, the spectre of Dentsu, the world's biggest advertising agency, has haunted the international advertising industry. Having dominated the Japanese market for decades, Dentsu's declared objective for the 1990s is to become a force in the international arena.

This week Dentsu took a big step towards this goal when it agreed to acquire 40 per cent of Collett Dickenson Pearce (CDP), one of the best known British agencies.

The deal offers CDP a chance to strengthen its finances and raise the capital it needs to expand its European network. For Dentsu, it provides an entrée to the UK, the largest advertising market in Europe, through an agency with a strong creative reputation.

But the CDP deal represents only one part of Dentsu's international expansion. Its aim is to operate internationally in all areas of communications: public relations, sales promotion and event marketing, as well as advertising.

Until recently, Dentsu concentrated on protecting its position in the Y5,000bn ($38.7bn) Japanese advertising market. Its only real involvement in other countries was limited to HDM, the international advertising network jointly owned with Young & Rubicam (Y&R) of the US and Eurocom of France. Dentsu's own agencies in the US and Europe have acted as little more than liaison offices.

Dentsu's power within the Japanese advertising industry is unparalleled. The growth of Western agencies is restricted by the tenet of client conflict – whereby an agency cannot work for competing companies in the same field – but this concept does not exist in Japan. An agency like Dentsu can and does work for all the leading companies in a product sector, so there is no limit to its potential growth.

Yet Dentsu's real power is rooted in its relationship with the media. Few restrictions on media ownership exist in Japan, and Dentsu owns a sizeable minority stake in several TV stations and production companies.

If a Japanese company wants to advertise on prime time TV, it has little option but to work with Dentsu or Hakuhodo

Moreover, the structure of Japanese TV advertising – whereby companies not only buy conventional spot commercials but also provide sponsored programmes – means Dentsu exercises considerable control over the contents of Japanese TV. Indeed, it is involved with half of all the prime time programming on the five national TV channels.

This involvement, plus the sheer scale of its media buying power – Dentsu places a fifth of all Japanese newspaper advertising and a third of all TV advertising – means it wields enormous influence over the media. Dentsu, together with Hakuhodo, the second largest Japanese agency, effectively acts as a media broker. If a Japanese company wants to advertise on prime time TV, it has little option but to work with Dentsu or Hakuhodo. Even the other agencies sometimes have to go to them to buy media space.

Dentsu also protects its commercial position with a powerful array of *Jinmyaku*, or contacts in politics and industry. It even employs the sons of several senior politicians and industrialists.

Dentsu's position in Japan is so strong it has been difficult for other agencies, especially the joint ventures run by the US and UK networks, to expand. Its turnover of $8.9bn in 1989 was twice as high as that of Hakuhodo, its closest competitor, and almost as high as all other top 10 Japanese agencies together.

Hitherto, Dentsu has not considered the development of its overseas interests a priority. One reason is that it, like other Japanese agencies, has found it difficult to adapt to the different structure of advertising industries outside Japan. It first ventured overseas in the early 1960s to open an office in New York, but found it hard to work in unfamiliar territory. Thirty years later, the New York agency is still its biggest wholly-owned overseas office, but employs only 150 people.

Another reason for Dentsu's lack of interest in foreign expansion is the buoyancy of the Japanese advertising market. It grew 14.8 per cent last year, and rose faster than GNP for much of the 1980s.

However, the Japanese market is becoming more competitive. The uncertainty created by the Gulf crisis and the slump in the Tokyo stock market is already taking a toll on advertising expenditure. Dentsu anticipates slower growth of around 8 per cent this year. Moreover, it faces stiffer competition from the expansion of in-house agencies, and of the giant trading houses which are starting to invest in advertising.

At the same time, Dentsu's clients are increasing their activity overseas. It has already seen its clients in manufacturing opt for local agencies as they expand into Europe and America. Now the service sector is moving overseas too. As the Dentsu executives in Tokyo are well aware, unless they act swiftly they will miss out on the second wave of Japanese industry's international expansion.

Dentsu also protects its commercial position with a powerful array of Jinmyaku, or contacts in politics and industry

Dentsu is also aware that HDM, its first serious attempt at operating internationally, is not an adequate solution. After its ill-fated foray into the US in the 1960s, Dentsu chose a more cautious approach to overseas investment. In 1981 it formed a joint venture with Y&R – Eurocom joined as a third partner in 1987 – which eventually became HDM.

Although HDM operates as an international network, it has always been something of a compromise. It is run by Dentsu in Asia, Eurocom in Europe, and Y&R in the US.

Eurocom recently made no secret of its displeasure with Y&R's relatively slow progress with HDM in the US. This has fuelled speculation that HDM may be dissolved. Dentsu denies this, although it does confirm that the basis of the shareholding in HDM is being renegotiated.

The main focus of Dentsu's international expansion is on developing its own international network. It began last year by buying a 70 per cent stake in Fortune, the Australian agency. Dentsu had since despatched a senior executive to Fortune, which is now renamed Dentsu Australia.

Although it is eager to expand its interest elsewhere in Asia and the Pacific, the main new markets for Dentsu are Europe and North America. The CDP deal gives it a base from which to build its European business.

Dentsu is now turning its attention to the US, where it has been in negotiations with Ayer, the New York agency, for several months. Dentsu insists these discussions concern joint projects. However, Dentsu is said to be negotiating the acquisition of 40 per cent of Ayer for around $100m.

If Dentsu is to achieve its goal of making 20 per cent of its income outside Japan by 1995, it will have to strengthen its US presence. The CDP deal is a step in the right direction, but Dentsu still has some way to go before it becomes a significant international player.

Edgars advances 24% despite bad conditions

By Philip Gawith in Johannesburg

EDGARS, the clothing, footwear and textiles group in the South African Breweries stable, overcame difficult trading conditions to record improved turnover and earnings in the six months to the end of September.

Turnover rose 26 per cent to R1.14bn ($230.8m) and operating profit was 29 per cent up at R168.7m. Attributable earnings grew by 24 per cent to R71.3m from R57.5m, the slightly lower figure being the result of a 61 per cent rise in the interest bill.

Mr Vic Hammond, chief executive, said the group had gained market share during the period when the national clothing, footwear, textiles and accessories market was estimated to have grown by 17 per cent in monetary terms.

The increase in operating profit was largely due to a good performance from the Edgars chain, which contributed 89 per cent of profits. This counter-balanced problems at Sales House and Jet stores, both of which are heavily reliant on black consumer trade. Widespread violence, and consumer boycotts disrupted the markets in which they operate.

The recessionary conditions the group faces are shown by the increase in the debtors' book. Only 15 per cent of the Edgars chain's sales were cash, and 8 per cent in the case of Sales House.

Mr Hammond said he expects consumer spending to be further dampened in the months ahead as a result of high interest rates and a steep rise in the fuel price. The group still anticipates "satisfactory" earnings growth for the full year, but at a slower pace than in the first half.

Earnings per share rose 24 per cent to 140.5 cents and the dividend was increased by 22 per cent to 33 cents.

Rising costs hit Mitsubishi Kasei

RISING material and distribution costs diluted first-half profits at Mitsubishi Kasei, Japan's largest all-round chemical manufacturer. The company saw pre-tax profits slip 4.2 per cent from the year-ago period to Y19.7bn ($152m), and operating profits fall 18.8 per cent to Y18.8bn, although sales grew 3.4 per cent to Y376.1bn, writes Martina Gannon in Tokyo.

Sales by the pharmaceutical division improved by 11.5 per cent, but the consolidated figure was pulled down by poor overseas sales of coke and other carbochemicals, the company's mainstay business.

Daishowa incurs Y7bn loss

By Ian Rodger in Tokyo

DAISHOWA Paper, the company whose chairman splashed out $160.6m last May to buy a Renoir and a Van Gogh painting, has reported a massive Y7.1bn ($54.6m) pre-tax loss in the six months to September 30.

The turnround from a pre-tax profit of Y8.9bn in the same period of last year is more severe than the profit declines already reported by Japan's other leading pulp and paper makers. The company is forecasting a loss of Y13.9bn for the full year.

Daishowa cited sluggish paper and pulp prices and high interest rates as the causes of its reverse. A planned 19 per cent rise in capital spending to Y63bn this year will add to depreciation charges and to borrowings, which are expected to reach Y434bn, compared with Y380.3bn at the end of the last fiscal year.

Sales in the first half rose 2.4 per cent to Y173.4bn, but operating profit plunged 95.2 per cent to Y488bn. The company had a net profit of Y2.2bn, down 46 per cent. Daishowa expects to have a net profit in the full year as a result of sales of land and securities.

Komatsu rises to Y24.3bn

By Stefan Wagstyl in Tokyo

KOMATSU, the Japanese construction equipment company, yesterday posted a 46 per cent increase in interim pre-tax profits to Y24.33bn ($187m), due to strong domestic demand generated by an acute shortage of building workers.

Reporting unconsolidated results for the six months to the end of September, Komatsu said sales rose 14 per cent to Y333bn. Net profits were 20.5 per cent higher at Y9.2bn.

However, for the year as a whole, Komatsu is concerned about the impact, at home and overseas, of increased oil prices and interest rates; the fall in the Japanese stock market; recession in the US; and the Middle East crisis. It expects sales to grow 9 per cent to Y685bn and pre-tax profits to rise to Y47bn.

Small-scale building equipment for use on cramped urban sites has been selling particularly well in Japan, said Komatsu.

Toshiba Machine up 39%

By Martina Gannon in Tokyo

TOSHIBA Machine, a leading machine tool manufacturer that is benefiting from Japan's construction boom, had pre-tax profits of Y5.1bn ($395m) in the April to September period, a 39 per cent increase over a year ago.

Sales also rose by 10 per cent to Y64.5bn.

The company sees pre-tax profits in the full year to March 31 rising 24 per cent from fiscal 1989 to a record Y10bn, and sales going up 8 per cent to Y130bn. It has earmarked Y16bn for investment in plants and equipment this year, although the plans may be delayed if land for expansion cannot be found.

INTERNATIONAL CAPITAL MARKETS

Bank of France rate cut triggers rally in OATs

By Simon London

THE FRENCH government's decision to cut interest rates by 25 basis points pushed OAT prices up strongly yesterday. The benchmark 8½ per cent 10-year OAT closed on a yield of 10.23 per cent, against 10.33 per cent on Tuesday.

On the futures market the December OAT contract closed up 46 points on the day at 98.36, although volume remained thin because many traders had already closed their trading books before today's national holiday and the traditional long weekend.

Yesterday's rise closed the yield spread between OATs and German government bunds to around 125 basis points although analysts suggest that the gap is still higher than justified by real interest rate differentials.

"There are a lot of institutions sitting on cash waiting to move into France, but no-one wants to be first," commented Mr Alex Mitcheson-Smith of UBS Philips & Drew. "This could be the spark they have been waiting for."

The interest rate cut took the market completely by surprise. Usually the French monetary authorities introduce interest rate changes through money-market repurchase operations, the next of which is scheduled for Monday, rather than through changes in the intervention rate.

Although the French government has wanted to ease monetary policy for the last three to four months, the weakness of the franc in the face of the Gulf crisis prevented an early move. Yesterday's cut was made against a background of relative strength of the currency over the past week. The franc moved down just ¼ centime against the D-Mark yesterday, closing at FFr3.350.

The franc is held within an unofficial 1 per cent band against the D-Mark and yesterday's loosening of monetary policy in France is thought to rule out an interest rate hike by the Bundesbank today.

GOVERNMENT BONDS

■ GERMAN government bonds rallied on the news that French interest rates had been cut, since the Bundesbank is now less likely to raise the Lombard rate today. Such a move would place great strains on the European monetary system.

The benchmark 8½ per cent 10-year bund closed at 96.98 on a yield of 8.97 per cent, against 9.00 per cent on Tuesday.

On the futures market the December bund contract lost around 5 pfennigs, to close at 81.95.

The Bundesbank also confirmed yesterday that the bond consortium will meet on Monday to set terms on a new federal bond issue. The market is expecting a DM5bn to DM7bn issue with a 9 per cent coupon, priced at around 100.75. It is possible that the Bundesbank will choose to re-open the last 10-year federal bond, launched on October 8.

■ UK Government bonds also rallied on hopes of an early interest rate cut, which the government can more easily achieve in the context of stable or falling rates elsewhere in Europe.

The benchmark 11¾ per cent gilt, maturing 2003/2007, rose sharply and closed up ¾ on the day at 102¾ for a yield of 11.312 per cent.

On the futures market, the key December gilt contract closed at 84.29, having opened at 84.11.

Most analysts are predicting a further 1 per cent cut in base interest rates before the year end. Tuesday's gloomy CBI survey of industry and the cut in French interest rates could provide an ideal background for such a move.

■ JAPANESE government bonds moved little overnight in Tokyo, with the all eyes on the performance of the yen in the foreign exchange markets. Once again the dollar failed to breach Y130 and was trading in London yesterday at Y129.65.

The benchmark No 119 government bond issue closed in Tokyo on a yield of 7.79 per cent after opening at 7.76 per cent.

■ BULGARIA is launching a high-interest bond to soak up excess cash, the official BTA news agency said, reports Reuter from Sofia.

Deputy Finance Minister Mr Evgeni Uzunov said the government would try to cut the amount of "hot money" in circulation and thus ease pressure on inflation, which he estimated at 25 per cent, through a 1bn leva bond issue, BTA reported.

The bond, paying 15 per cent interest, would also help ease the government's 1.2bn leva budget deficit, and encourage commercial banks to raise savings interest rates from their current low level of 1 per cent.

Mr Uzunov said the bond issue was a palliative rather than a cure for inflation, which could be brought under control only in the second half of next year.

Foreigners will be able to buy the new bond, Mr Uzunov said.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	08/92	103-11	+05/32	11.46	11.77	12.57
		9.000	03/00	87-06	+19/32	11.23	11.57	11.76
		9.000	10/08	85-12	+12/32	10.86	10.92	11.13
US TREASURY *		8.750	08/00	100-15	+02/32	8.67	8.67	8.78
		8.750	08/20	99-11	+06/32	8.81	8.81	8.93
JAPAN	No 119	4.800	6/99	84.4924	-0.194	7.80	7.61	8.46
	No 129	6.400	03/00	94.0433	+0.001	7.48	7.51	8.06
GERMANY		8.500	08/00	98.9000	+0.100	8.98	8.98	9.07
FRANCE	BTAN	9.000	11/95	95.5994	+0.224	10.15	10.15	10.38
	OAT	8.500	03/00	89.7600	+0.500	10.23	10.24	10.53
CANADA *		10.500	07/00	96.5500	+0.550	11.09	11.25	11.19
NETHERLANDS		9.000	10/00	98.9400	+0.050	9.17	9.15	9.27
AUSTRALIA		13.000	07/00	98.0739	+0.106	13.35	13.29	13.53

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Swedish bank to securitise mortgages

By Tracy Corrigan

SVENSK Fastigetskredit, a wholly-owned subsidiary of the Swedish bank Skandinaviska Enskilda Banken, has become the first institution in Europe, outside the UK, to securitise its mortgage loans. The UK's three-year-old mortgage-backed sector already totals nearly £9bn.

The Swedish bank's move suggests that continental European banks at last appear to be awakening to the attractions of mortgage securitisation, after years of haranguing by investment banks.

But other Swedish, and perhaps Finnish, institutions are expected to follow Skandinaviska's lead, now that some of the inevitable structuring problems which dogged the nine-month fruition of the first such deal have been ironed out.

Sweden's mortgage market, which totals SKr600bn (about £60bn), is well suited for securitisation. Unlike UK mortgages, Swedish mortgages cannot be prepaid, so the life of mortgage-backed bonds is easier to predict. Further, Swedish mortgages usually have a five-year, rather than a 25 or 30-year life.

Moody's, the US rating agency, is considering lowering Sweden's triple-A debt rating. About $34.4bn of debt is involved. The triple-A rating of the Nordic Investment Bank is also under review, as a result of the move.

Securitisation allows banks to remove mortgages from their balance sheets, so improving their capital ratios. Bank-owned mortgage companies provide about half Sweden's mortgage finance, and they have traditionally raised their funds on the Swedish bond market. Before 1985, certain types of investors such as pension funds were obliged by law to invest a proportion of their funds in mortgage bonds. But the market lost the support of this substantial pool of capital with deregulation in 1985.

Further deregulation increased competition in the mortgage lending market, and it has become increasingly difficult for banks to fund their mortgages at attractive rates in the domestic market.

SFK's $159.5m five-year Eurobond, launched via a special purpose vehicle called Osprey Mortgage Securities (No.1) and backed by about SKr1bn of Swedish mortgage loans, allows the company to tap a fresh investor base. In fact, the distribution of the bonds was more diverse than for sterling-denominated UK mortgage-backed bonds, encompassing banks, corporations and money managers throughout Europe.

Crédit Suisse First Boston is lead manager of the transaction. Credit enhancement is provided by a pool insurance policy underwritten by Trygg Hansa.

The bonds pay interest at 30 basis points above the London interbank offered rate, and have an expected average life of four years.

Laundering of money targeted by Canadians

By Bernard Simon in Toronto

CANADA has proposed fresh record-keeping rules for financial institutions and other recipients of large cash deposits to help police investigations into money laundering.

A Finance Department official said that the proposed rules, tabled in Parliament, include more detailed requirements for maintaining records on large cash transactions than similar regulations in most other countries. They do not require institutions to report such transactions to the authorities, as is the case in the US and Australia.

The rules cover not only banks and other financial institutions, but also professionals conducting transactions for their clients. Large transactions subject to the proposed rules are defined as those which singly, or in a series on the same day, amount to C$10,000 or more. Records of such deals must be kept for at least five years.

The penalty for contravening the rules would be a maximum fine of C$500,000 and/or five years imprisonment.

The regulations stem partly from joint efforts by the Group of Seven leading industrial countries to stamp out money laundering. But Canadian banks, several of which have extensive branch networks in the Caribbean, have also been singled out by US authorities as a weak link in combating money laundering by Latin American drug barons.

The bill gives Canadian courts jurisdiction over contraventions which occur outside the country provided the accused is a resident or carries on business in Canada.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on October 31

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¾	100¼	+⅛	8.95
ALBERTA PROVINCE 9 3/8 95	600	101	101½		9.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ALBERTA PROVINCE 10 92 C$	500	97¼	97¾		11.88
BCE INC 9 5/8 93 C$	300	94½	95¼		12.18
BELL CANADA 10 5/8 99 C$	150	92½	92½		12.11
BRITISH COLUMBIA 9 1/4 93 C$	150	94½	94¾		12.09
EIB 10 1/8 98 C$	130	92½	93¼	+⅛	11.59
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	91⅞	92¼		7.69
CANADA 4 3/8 92	80000	94⅞	95⅛		7.77
CREDIT FONCIER 5 1/4 94	20000	91⅛	91⅝		7.83
DENMARK 7 95	40000	97⅞	98⅛		7.59
EIB 4 5/8 94	40000	91	91¼		7.62
GENERAL ELECTRIC 5 3/4 93	35000	95⅛	95⅜		8.02
INTER AMER DEV 7 1/4 00	30000	98½	98¾		7.47
ITALY 5 3/4 92	150000	97½	97¾		7.81
KANSAI ELEC PWR 4 5/8 94	60000	90¾	91	+¼	7.73
NIPPON TEL & TEL 5 7/8 96	50000	92⅛	92⅜		7.58
NORWAY 5 1/8 95	50000	90⅞	91⅛		7.62
SWEDEN 5 5/8 95	20000	91⅞	92⅛		7.70
WORLD BANK 6 3/4 00	50000	95⅛	95⅜		7.48

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Ontario Hydro to launch record-breaking C$ deal

By Tracy Corrigan

ONTARIO HYDRO has announced plans to launch the largest ever Canadian dollar deal, and the first to be structured as a global offering. Ontario Hydro, which supplies the bulk of the electricity needs of Ontario, Canada's richest province, hopes to meet most of its future funding needs through a global bond programme.

INTERNATIONAL BONDS

The issue, expected to total C$750m to C$1.25, will have a maturity of five-to-ten years. Merrill Lynch, Nomura and ScotiaMcLeod, have been mandated to act as lead managers of the transaction, which it is hoped will emerge before Christmas, although there is no strict schedule. Ontario Hydro has no specific funding target, and the issue will not be swapped.

It will be possible to trade the deal through four clearing systems – DTC in the US, CDS in Canada, and Euroclear and Cedel in Europe.

Dealers in Europe said the deal will be difficult to price at a level which will ensure global demand. Canadian dollar Eurobonds are currently trading at much wider spreads than Canadian domestic bonds. This means that demand is likely to be skewed towards Canada, although there could be some Far Eastern interest. However, marketing will focus on the substantial group of European investors who hold Canadian government bonds, but have been loth to buy Eurobonds because they lack liquidity.

In the equity warrants sector, lack of supply continues to whet investors' appetites for new equity-linked deals. Kobe Electric Railway's $70m four-year deal, launched by Nikko Securities (Europe), was bid at 8¼ points above its par issue price.

Although the Tokyo stock market has regained some stability, most analysts say conditions remain precarious. Recent equity-linked transactions have been buoyed by the trailing off of supply. The calendar is thin for the rest of the year, although new names have recently been cited as potential borrowers.

In the Ecu market, IMI Bank (International) brought an Ecu150m three-year deal via Bankers Trust. Swap conditions in the sector remain unfavourable, so further issuance is likely to be slow. The IMI deal, which was unswapped, was bid at less 1.35, just inside full fees of 1⅞ points.

● Turkish Central Bank governor Mr Rusdu Saracoglu said interest rates could rise if Turkey failed to curb its budget deficit, Reuter reports from Istanbul.

"There may be significant pressure on the financial markets in 1991 if the budget deficit is not lowered," Mr Saracoglu told a meeting of businessmen in Ankara.

"Interest rates will go up and confidence in the money markets will weaken if anti-inflationist policies are not supported by correct budgetary policies," he said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Osprey Mortgage Secs.(b)†♦	160	(b)	100	1995	43/23bp	CSFB
Kobe Elec.Railway(a)♦	70	(5¼)	100	1994	2¼/1½	Nikko Secs.(Europe)
SWISS FRANCS						
Tayca Corp(a)★★♦	35	5	100	1995	-	Credit Suisse
ECUs						
IMI Bk(a)♦	150	10½	101½	1993	1⅛/⅞	Bankers Tst.Int.

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Mortgage-backed FRN issue. Coupon pays 3-month Libor + 30bp. Non-callable.

Czech bank to issue Visa cards to citizens

By David Barchard

THE PLASTIC card revolution is under way in Czechoslovakia with Zivnostenska Bank of Prague issuing its first Visa cards to Czech and Slovak citizens.

It is believed to be the first time that an internationally valid payment card has been made available to Czech citizens.

The cards are linked to convertible currency deposits and will operate as deferred debit cards with the customer's account being debited regularly with the full balance.

Accounts in Czech koruna will be available from Zivnostenska from next year.

Mr Jacques Kosciusko, Visa's managing director in Europe, said that the new Visa card would help Czech citizens travelling in Europe and making payments for hotel and airline reservations.

Czechoslovakia is a relative late-comer to Visa. Visa cards have been issued by Intourist in the Soviet Union since 1988.

Visa cards will be issued in Poland to Polish citizens from June next year by three Polish banks which joined the Visa organisation this month.

They are Bank Polska Kasa Opieki (PEKAO), Bank Inicjatyw Gospodarczch (BIG), and Bank Przemyslowo Handlowy (BPH).

As in Czechoslovakia, the first generation of plastic card products in Poland is expected to be charge cards linked to a foreign currency account and serving business customers, rather than traditional credit cards.

At the same time, Visa has accepted a private sector Soviet bank as a member. Credobank, set up in January 1989 as the Moscow Youth Co-operative Bank, is the largest of 450 private sector commercial banks in the Soviet Union.

The bank plans to issue its first Visa cards to customers early next year.

● Samuel Montagu is to close its representative office in Tokyo before the end of the year, AP-DJ reports from Tokyo. Montagu's parent, the Midland Group, said the decision to close the office reflects the need to trim operations.

All lines lead to Chase's top man

Peter Martin on the strategy spearheaded by the bank's president

"IF WHAT we have accomplished is a one-time reduction of 5,000 people and then a return to 'normal', we will not have been successful."

This warning comes from Mr Arthur Ryan, newly appointed as president and chief operating officer of Chase Manhattan Bank and of its parent company Chase Corporation.

He is talking about Chase's latest restructuring programme, for which he was largely responsible. The aim, he says, is much more than a one-off reduction in employment from about 43,000 to 38,000.

It is a deeper change, he says, because it is based on "some very fundamental marketing decisions: decide what you are good at and not good at, then put one heck of a lot of money in what you are good at, and stop doing what you are not good at."

Across the bank as a whole, that means dropping out of what the bank's official statement on the restructuring describes as "certain underperforming business activities".

In Europe, it means cutting staff by a thousand or so and trying to focus the business on four activities:

● Corporate finance, heavily emphasising the bank's industry teams and cross-border network.

● Risk management products, such as foreign exchange and derivatives. Chase is closing down some smaller foreign exchange dealing rooms and concentrating its resources in London, New York and Tokyo.

● Information and custodial services, grouped together as a separate profit centre, Chase InfoServ. This is an area where Chase is traditionally strong. Continental back offices are being cut back as an integrated European data centre opens in Bournemouth.

● Private banking, for rich retail clients. Chase's European private banking headquarters is being moved to Geneva from London.

There is a heavy emphasis in most of these activities in fee-based transactions, rather than simply making a margin on lending – though Mr Ryan's colleagues get edgy if you suggest they are downgrading the importance of providing credit.

The bank will continue to provide credit as an important part of its activities, they say, but is not in the business of merely "renting the balance sheet". For some time it has been taking lending on to its books as part of a transaction but then deciding, on the basis of overall portfolio judgments, whether to retain it or sell some or all of it on. Now, it will add to that policy a decision to drop out of local-currency lending where it cannot be competitive with domestic institutions.

As part of the restructuring, Chase has dropped its elaborate three-bank structure. In the early 1980s, it divided itself up into an Individual Bank (worldwide retail banking), a Global Bank (corporate finance, risk management, capital markets), and an Institutional Bank (Chase InfoServ, plus real estate lending, leasing, correspondent banking and investment management).

Each of these banks-within-a-bank had a vice-chairman at the top and a complete management team.

Not only was that costly, but it also hampered Chase's ability to project itself to clients as a single corporate entity.

Arthur Ryan: Avoiding a return to 'normal'

So this summer the bank shrank its three banks into one, summed up by the stark line: "All line units in all parts of the world will report to Mr Ryan". Internal management accounting and compensation schemes are now based on the principle of rewarding people for working as a team and cross-referring business.

It remains to be seen whether the new strategy yields the flow of earnings Chase needs if it is to rebuild its capital in an increasingly hostile regulatory and commercial climate.

In Europe, the bank needs to re-establish competitive credibility. It was seen, even before its latest financial problems, as lacking strategic focus; and its image was weakened by the sale of a string of continental operations.

The new European strategy, by focusing on four areas in which the bank is strongest, offers a possible solution. To generate a rising stream of profits, however, the bank will have to move increasingly towards the higher-value-added end of each activity, something that – as other banks have found – is easier said than done.

These are areas that rival banks, faced by similar balance-sheet pressures, are also choosing as areas for expansion. Global custody and private banking, for example, are both currently fashionable among US and European competitors. Chase's branch network and market position will make it a strong competitor – but they may not be enough to ensure rising levels of profitability in an increasingly competitive environment.

In this sort of climate, Chase has been signalling its willingness to consider a merger at some time in the future. Mr Thomas Labrecque, Mr Ryan's boss, who has just taken over as chairman and chief executive officer, has mentioned the possibility of a merger at some point in the future.

Mr Ryan, asked about mergers, says: "That's not a subject that frightens me." The question Chase would ask before undertaking any merger, he says, is "does it dramatically affect our world competitiveness?" And before reaching that point, he says, there is much to do in dealing with regulatory issues that affect the US banking system as a whole.

A great deal of work also remains to make Chase itself a more tightly focused competitor – and avoid the return to 'normal' that Mr Ryan so mistrusts.

UBF debt put under review

UNION Bank of Finland, which recently announced its intention to reorganise, has had its debt placed under review by Moody's Investors Service, the US credit rating agency, writes Simon London.

The bank currently has a senior debt rating of Aa1 and a subordinated debt rating of Aa2 from Moody's, covering $2.7bn of outstanding paper. The Prime-1 rating on UBF's short-term borrowings will not be affected.

As of August 30, 1990, UBF had consolidated net assets of FM143bn ($40bn).

Transaction fees mooted for Toronto Stock Exchange

THE ONTARIO Securities Commission has distributed documents proposing a transaction fee for trading on the Toronto Stock Exchange and a rise in filing charges for public companies, Reuter reports from Toronto.

Stockbrokers said the transaction fee, which would levy a charge of 1/300 of 1 per cent on the value of trades on the Toronto Stock Exchange, could encourage traders to conduct business in Montreal, New York or other rival exchanges.

Mr Selwyn Kossuth, executive director of the commission, dismissed such fears, saying the New York Stock Exchange already charged the same fee.

Mr Fred Ketchen, chief trader with ScotiaMcLeod, said, "One cent for every three hundred dollars is not a lot. It's a nuisance."

Other proposals in the securities commission documents include increases in annual filing fees, charges for filing prospectuses and the imposition of a minimum registration fee.

Brazilian exchanges discuss merger plans

By Victoria Griffith in Sao Paulo

THE PRESIDENTS of the stock exchanges of Rio de Janeiro and Sao Paulo met yesterday to discuss increased co-operation and possible merger terms.

Mr Fernando Nabuco, president of the Sao Paulo stock exchange, expressed his interest in a merger as early as July; Mr Souza Dantas, his counterpart in Rio, has up to now been less enthusiastic.

However, yesterday's talks suggested that the two exchanges were close to signing an agreement to set up a joint custodial service for Brazil, with each exchange contributing 50 per cent of the capital. The headquarters of the new operation would be in Sao Paulo, but most higher level meetings would be conducted in Rio de Janeiro.

Both exchanges are facing financial problems following a decline in trading volumes. Mr Nabuco hopes the country's privatisation programme will give the exchanges a much needed boost in turnover.

In the meantime, both exchanges have been trimming costs. Bovespa, the Sao Paulo exchange, fired 100 employees last month. The Rio exchange has no plans for dismissals, although it is operating at a loss said to be running at about $400,000 per month.

Both Rio and Sao Paulo recently computerised their exchanges.

Mr Nabuco said the success of the Brazilian stock exchanges depended on opening up the markets to more foreign participation. With that goal in mind, Mr Nabuco has been lobbying for accelerated deregulation.

Between them, the two exchanges account for 90 per cent of stock market trades in Brazil.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Oct 31 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Oct 30 Index No.	Mon Oct 29 Index No.	Fri Oct 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	689.71	+0.1	16.02	6.91	7.63	31.87	689.05	698.00	696.40	860.94
2	Building Materials (26)	933.07	+1.1	15.73	6.55	7.83	40.76	922.56	932.65	933.82	1030.93
3	Contracting, Construction (35)	1130.87	+0.7	16.93	7.06	7.65	58.05	1122.70	1125.25	1121.95	1365.91
4	Electricals (10)	1795.40	-2.4	15.66	7.50	7.81	84.91	1839.55	1899.26	1804.26	2493.46
5	Electronics (26)	1555.86	+0.3	10.80	5.51	12.65	56.17	1551.13	1568.38	1564.11	1928.97
6	Engineering-Aerospace (8)	409.57	....	16.53	5.95	7.27	15.45	409.48	413.53	410.71	0.00
7	Engineering-General (47)	352.56	....	17.01	7.37	7.07	17.38	352.62	356.40	356.03	0.00
8	Metals and Metal Forming (8)	399.31	+0.8	28.54	8.36	4.27	17.02	396.24	402.65	398.67	454.37
9	Motors (13)	269.63	+2.0	18.78	8.92	6.20	14.53	264.22	268.14	268.79	369.28
10	Other Industrial Materials (23)	1115.47	-1.3	15.12	7.31	7.64	60.27	1129.87	1149.54	1147.45	1592.94
21	CONSUMER GROUP (177)	1188.76	+1.0	10.26	4.29	12.06	31.51	1176.85	1186.90	1186.36	1235.12
22	Brewers and Distillers (22)	1480.29	+1.2	10.56	3.99	11.47	33.61	1462.72	1480.08	1477.83	1385.76
25	Food Manufacturing (19)	1007.63	+0.8	11.52	4.85	10.72	28.13	999.79	1004.91	1006.29	1099.43
26	Food Retailing (16)	2252.66	+0.2	9.28	3.25	14.05	52.68	2249.13	2255.29	2263.72	2284.99
27	Health and Household (16)	2419.09	+0.7	7.31	3.08	16.17	50.32	2403.19	2439.78	2438.50	2454.79
29	Leisure (32)	1198.96	+1.0	12.50	5.41	9.68	44.58	1187.29	1192.51	1190.54	1524.88
31	Packaging & Paper (12)	479.65	+0.2	13.42	7.26	9.15	22.95	478.66	478.37	478.04	528.13
32	Publishing & Printing (14)	2868.11	+0.8	12.39	6.53	10.12	126.31	2844.05	2867.81	2875.28	3563.78
34	Stores (34)	804.10	+2.3	11.08	4.58	11.74	19.51	786.10	790.79	787.79	767.75
35	Textiles (12)	420.30	+0.9	14.20	8.45	8.93	20.45	416.36	417.89	416.56	509.78
40	OTHER GROUPS (106)	951.28	+0.9	12.98	6.17	9.38	32.16	943.13	953.71	953.02	1092.48
41	Agencies (15)	898.48	-4.1	11.86	3.71	10.20	22.25	936.52	985.48	990.68	1495.02
42	Chemicals (24)	997.27	+1.4	13.24	6.67	8.93	46.81	983.49	990.14	983.67	1168.31
43	Conglomerates (14)	1247.38	+1.6	13.59	8.02	8.87	38.53	1227.84	1249.14	1258.21	1555.68
44	Transport (14)	1842.77	+1.2	13.18	5.69	9.61	67.29	1821.29	1843.91	1845.55	2127.18
46	Telephone Networks (3)	1056.05	+0.9	12.39	5.18	10.51	26.09	1046.76	1059.57	1052.78	1060.21
47	Water (10)	1975.11	-0.4	14.69	6.86	7.71	68.12	1984.00	1974.45	1971.98	0.00
48	Miscellaneous (26)	1508.51	+1.6	12.43	5.98	9.35	61.84	1484.75	1484.81	1488.89	1802.11
49	INDUSTRIAL GROUP (479)	993.26	+0.8	12.34	5.43	9.94	32.81	985.70	995.88	994.94	1113.83
51	Oil & Gas (21)	2275.12	....	9.83	5.49	13.28	85.44	2275.90	2298.29	2305.65	2124.45
59	500 SHARE INDEX (500)	1098.25	+0.6	11.95	5.44	10.35	37.07	1091.25	1102.44	1102.12	1198.81
61	FINANCIAL GROUP (103)	664.39	+1.0	-	7.17	-	32.89	657.79	671.67	674.29	740.20
62	Banks (9)	694.11	+1.3	23.57	8.30	5.56	42.00	685.51	707.25	710.25	729.38
65	Insurance (Life) (7)	1256.57	+0.9	-	6.11	-	56.82	1245.85	1265.91	1267.47	1243.41
66	Insurance (Composite) (6)	566.44	+0.8	-	7.49	-	32.08	561.93	574.08	577.29	638.98
67	Insurance (Brokers) (8)	882.60	+0.9	8.52	7.28	15.38	41.94	874.46	864.50	857.60	1040.83
68	Merchant Banks (7)	345.97	+1.9	-	5.92	-	12.75	339.63	342.88	348.63	384.89
69	Property (45)	908.12	+0.7	8.06	5.37	16.37	25.45	901.45	915.43	920.09	1147.13
70	Other Financial (21)	243.45	+0.5	11.67	7.38	11.01	11.03	242.16	243.78	243.33	316.31
71	Investment Trusts (70)	1005.35	+0.7	-	3.98	-	25.91	998.66	1004.71	1004.02	1185.22
91	Overseas Traders (5)	1075.16	+0.1	13.30	8.59	8.95	69.98	1074.20	1100.11	1111.05	1335.60
99	ALL-SHARE INDEX (678)	992.67	+0.7	-	5.66	-	35.66	985.87	997.43	997.77	1088.76
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 30	Oct 29	Oct 26	Oct 25	Oct 24	Year ago
	FT-SE 100 SHARE INDEX‡	2050.3	+16.4	2061.9	2036.1	2033.9	2062.1	2063.1	2088.7	2110.5	2160.1

FIXED INTEREST

	PRICE INDICES	Wed Oct 31	Day's change %	Tue Oct 30	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	118.74	+0.22	118.48	-	10.24
2	5-15 years	123.54	+0.51	122.91	-	11.95
3	Over 15 years	125.05	+0.56	124.35	-	9.84
4	Irredeemables	138.95	+0.37	138.44	-	13.46
5	All stocks	123.90	+0.41	123.39	-	11.31
	Index-Linked					
6	Up to 5 years	155.57	+0.16	155.33	-	3.04
7	Over 5 years	139.58	+0.23	139.26	-	3.45
8	All stocks	140.67	+0.22	140.35	-	3.42
9	Debentures & Loans	101.87	+0.03	101.83	-	9.29
10	Preference	73.15	+0.03	73.15	-	5.47

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 31	Tue Oct 30	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.09	10.52	9.92
2		15 years	10.74	10.81	9.65
3		25 years	10.75	10.82	9.57
4	Medium Coupons	5 years	11.34	11.44	11.06
5		15 years	11.17	11.25	10.03
6		25 years	11.06	11.13	9.69
7	High Coupons	5 years	11.46	11.55	11.16
8		15 years	11.40	11.48	10.24
9		25 years	11.34	11.42	9.83
10	Irredeemables†		10.94	10.98	9.66
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.97	4.04	3.66
12	Inflation rate 5%	Over 5 yrs.	4.34	4.35	3.61
13	Inflation rate 10%	Up to 5 yrs.	2.74	2.80	2.82
14	Inflation rate 10%	Over 5 yrs.	4.15	4.17	3.44
15	Debs & Loans	5 years	13.28	13.28	13.76
16		15 years	12.85	12.85	12.27
17		25 years	12.51	12.51	11.80
18	Preference†		12.99	12.99	10.69

‡Opening index 2039.6; 9 am 2037.7; 10 am 2046.7; 11 am 2055.8; Noon 2061.9; 1 pm 2056.2; 2 pm 2058.5; 2.30 pm 2058.8; 3 pm 2053.9; 4.10 pm 2050.5; (a) 11.54am (b) 9.13am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGES. BZW Convertible Investment Trust (71), Candover Investments (71), F & C Eurotrust (71), Sims Food (25) and USDC Investment Trust (71) have been inserted. Sale Tilney (43) has been deleted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	82	0	4
Corporations, Dominion and Foreign Bonds	7	0	14
Industrials	320	295	937
Financial and Properties	192	103	446
Oils	14	33	42
Plantations	0	6	4
Mines	34	20	99
Others	71	50	88
Totals	720	507	1,634

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	90	ABI Leisure 10p	91		R4.7	3.3	6.9	5.9
155	F.P.	-	160	155	♦Brabant Resources £1	160		-	-	-	-
180	F.P.	-	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
2	F.P.	-	4½	3	Finlan Group 1p	3½		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	48		u0158%	5.1	3.2	8.4
-	F.P.	-	24	18	JF Fledgeling Jap. Wts.	18		-	-	-	-
100	F.P.	-	98	75	Jupiter Euro Inv Trust	75	-1	-	-	-	-
-	F.P.	-	38	21	Do. Warrants	23	-2	-	-	-	-
-	F.P.	-	22	20	♦MAMI 1p	22		11.0	2.4	6.1	8.5
†	F.P.	-	17	8½	♦Paramount 2½p	8½	-½	-	-	-	-
†	F.P.	-	53	38	♦Pelican 20p	38		-	-	-	-
100	F.P.	-	90	83	River & Merc Smaller Co.	88		K3.75	-	5.7	-
-	F.P.	-	26	18	Do. Warrants	23		-	-	-	-
§100	F.P.	-	102	85	Slam Select. Growth Tst.	89		-	-	-	-
-	F.P.	-	38	26	Do. Warrants	26		-	-	-	-
§100	F.P.	-	96	91	Smaller Cos. Inv. Tst50p	91		-	-	-	-
-	F.P.	-	23	21	Do. Warrants	21		-	-	-	-
225	F.P.	-	245	195	♦Standard Platform 10p	195		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	68	♦Bluebird Toys 12pc Cv. Uns. Ln. 2005	68	-2
100p	F.P.	28/9	102p	93p	Perkins Foods 8p (Net) Cv Rd Pf	93p	
100p	F.P.	-	121p	106p	Reckitt & Colman 9 5pc Cv Bds 2005	116p	+2
100	F.P.	-	110¼	101¼	Tesco Capital 9pc Cnv Cap Bd. 2005	[illegible]	-1
100p	F.P.	-	105p	45p	Wyndham Group 9.375pc Cm. Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
100	Nil	-	10pm	4pm	Arcadian Intl.	4pm	-6
77	Nil	-	13pm	8½pm	Bryant Group	10pm	+½
140	Nil	-	5pm	3pm	MTM 5p	4pm	-½
5	Nil	-	8pm	5pm	Sycamore Hldgs 5p	5pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. ‡‡ Reintroduction. ♦ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

● First Dealings Oct. 29
● Last Dealings Nov. 9
● Last Declarations Feb. 7
● For settlement Feb. 18

For rate indications see end of London Share Service

Calls in Aviva Pet., Beazer, Brent Walker, Brunning and Ford Sellar Morris Props. Put in Brent Walker. Puts and calls in Mountleigh and Next.

LONDON TRADED OPTIONS

A WAVE of speculation that UK interest rates were about to be cut sent equity futures higher yesterday, although it failed to trigger a similar reaction in the traded options market.

The December FT-SE 100 index contract began the day strongly as some brokers tried to cover short positions. The talk about a reduction in rates pushed prices higher and prompted some arbitrageurs to sell futures and buy stock.

This narrowed the gap between the futures and the cash market, which had traded out to 40 points at one stage, more than fair value.

Market specialists said there had been some institutional interest, although one dealer believed that investment in futures was down on recent levels.

The December FT-SE contract closed at 2,088, up 26 points. Its premium over the spot FT-SE index widened to 38 points, against 28 in the previous session.

In the traded options market, the expiry of the October FT-SE index provided some interest. But overall, dealing levels were down. "A lot seemed to be going on but little business was being done," one dealer said.

A total of 24,746 contracts changed hands, down by more than a third. Dealing was evenly divided between calls and puts. In the FT-SE options, the October 2,050 puts were the most active.

Among the stock options, British Gas was the busiest. Dealing was boosted by marketmaker cross-trades. Of the larger deals, James Capel bought 800 December 220 puts. In total, 3,061 British Gas options were traded.

Rolls-Royce was next on the list, trading 1,258 contracts, as one broker sold 500 March 160 puts. Racal was boosted by James Capel's sale of 460 November 180 puts. A total of 1,211 lots changed hands. Marks & Spencer was next at 1,058 and followed by the Euro FT-SE on 811.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*469)	460	33	50	56	18	24	32
	500	16	30	36	42	47	53
	550	5	14	-	85	86	-
ASDA (*124)	120	14	17	21	6	9	11
	130	8	11	15	11	14	16
	140	5	8½	11	19	21	22
Brit. Airways (*142)	140	13	16	19	10	15	18
	160	5½	10	12	27	30	32
	180	3	5½	-	46	48	-
SmKl Beecham A (*582)	550	57	75	92	14	22	28
	600	27	48	65	37	44	49
	650	12	28	44	72	76	79
Boots (*318)	280	44	55	61	4	8	10
	300	30	41	47	9	13	16
	330	14	25	31	23	26	28
B.P. (*334)	330	22	31	37	13	17	21
	360	10	17	24	32	35	37
	390	4	9½	-	58	58	-
British Steel (*122)	120	9	12	15	7	9½	11½
	130	4½	8	10	13½	15	17
	140	1½	4½	-	22	23	-
Bass (*1023)	1000	60	92	112	37	45	52
	1050	33	67	87	64	72	77
	1100	18	47	-	102	110	-
C & Wire (*406)	390	40	58	67	15	21	26
	420	24	41	50	30	35	40
	460	10	24	32	58	61	65
Courtaulds (*312)	300	29	42	47	10	13	17
	330	13	25	32	23	28	33
	360	5	14	-	50	50	-
Com Union (*439)	420	42	53	62	11	22	25
	460	20	30	42	28	42	45
	500	8	15	27	65	70	73
GKN (*295)	280	32	38	43	10	18	21
	300	20	27	32	18	27	30
	330	9	14	20	38	48	50
Grand Met. (*560)	550	48	60	77	18	30	35
	600	22	37	55	47	58	63
	650	10	22	-	93	95	-
I.C.I. (*835)	800	74	92	104	20	40	45
	850	45	64	77	40	64	69
	900	24	40	-	74	94	-
Kingfisher (*387)	330	69	83	-	3	6½	-
	360	47	62	65	10	15	19
	390	26	44	49	20	24	30
Ladbroke (*271)	260	28	40	45	10	13	18
	280	18	28	33	19	23	26
	300	9	17	-	33	35	-
Land Secur (*503)	460	55	75	80	6	12	17
	500	30	48	55	20	27	33
	550	11	27	32	57	58	62
M & S (*235)	220	25	34	37	5	8½	11
	240	13	21	25	15	17	19
	260	5½	11	18	29	30	31
STC (*276)	260	31	36	46	10½	13	15
	280	20	25	35	17	22	24
	300	11	15	22	29	34	35
Sainsbury (*307)	280	38	48	52	4½	7	9
	300	23	35	40	10	14	16
	330	9½	18	24	27	29	30
Shell Trans. (*444)	420	45	52	63	8	14	17
	460	22	28	42	23	33	37
	500	9	16	28	58	60	63
Storehouse (*126)	120	12	18	22	8	10	11
	130	8	13	16	13	14	15
	140	5	9	12	19	20	21

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar (*175)	160	28	32	36	10	15	20
	180	16	22	25	22	25	30
Utd. Biscuits (*318)	300	34	40	46	6	13	15
	330	14	23	30	21	26	28
Unilever (*664)	650	47	67	82	25	33	40
	700	23	42	55	52	62	67
Ultramar (*320)	300	35	45	52	8	12	16
	330	18	27	35	22	27	28

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*546)	500	54	78	88	3	13	23
	550	15	43	57	18	32	45
BAA (*368)	360	15	32	45	6	20	26
	390	3	17	30	28	40	45
BAT Inds (*559)	550	20	50	67	10	25	33
	578	8	-	-	27	-	-
BTR (*286)	280	18	28	32	6	12	18
	300	7	19	23	16	24	28
Brit. Telecom (*263)	260	9	19½	30	4	12½	14½
	280	2½	11	19½	18	24½	25½
Cadbury Sch (*311)	300	16	34	40	4½	11	17
	330	3½	17	23	21	25	31
Guinness (*707)	700	22	60	77	10	27	35
	750	4½	35	53	47	53	59
GEC (*184)	180	9	16½	24	3½	8½	11½
	200	1½	7½	14	18	20	23
Hanson (*188)	180	11	15	20½	1½	8½	10
	200	1½	6½	12	14	23	22½
LASMO (*440)	433	20	-	-	7	-	-
	460	9	33	45	25	32	37
Lucas Inds (*122)	120	5	13	15	9	12	16
	130	1	7	9	17	20	22
P. & O. (*485)	460	35	60	70	7	18	28
	500	9	38	50	22	36	48
Pilkington (*153)	140	15	20	26	2	7	10
	160	3	9½	16	11	16	18
Polly Peck (*18)	160	½	½	6½	-	57½	153
	260	½	½	½	253	-	-
Prudential (*196)	180	18	28	30	1	4	7
	200	6	15	18	8	14	16
Racal (*164)	160	9	20	27	8	12	16
	180	3	11½	17	19	23	25
R.T.Z. (*413)	390	31	53	59	5	14	25
	420	10	33	41	15	27	40
Scot. & New (*355)	330	29	43	57	3	12	16
	360	8	25	39	15	25	28
Tesco (*226)	220	9	22	28	4	7½	11
	240	2½	11	17	16	18	22
Thames Water (*233)	230	8	18	-	4	13	-
	240	4	12	19	10	19	21
Water Hldg Pkg (*£2280)	2250	80	150	-	35	90	-
	2300	40	120	-	70	110	-

Option		Calls Nov	Calls Jan		Puts Nov	Puts Jan	
Ferranti (*17)	20	1½	2½	-	4½	6½	-
	25	¼	1	-	9½	11	-

Option		Calls Dec	Calls Feb	Calls Apr	Puts Dec	Puts Feb	Puts Apr
Fisons (*344)	330	21	37	43	6	11	13
	360	9	21	27	22	26	27

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*212)	200	18	25	29	4	7	11
	220	6	14	17	14	16	19
Amstrad (*57)	50	10	13½	16	2	4½	7
	60	3½	7½	10½	6	8½	10½
Barclays (*334)	330	22	38	42	15	24	25
	357	11	-	-	28	-	-
Blue Circle (*203)	200	16	25	27	8	13	17
	220	5½	16	18	21	24	29
British Gas (*214)	200	19	24	31	3	6½	8
	220	7	13	20	9	14	16
Dixons (*147)	140	15	19	24	7	11	13
	160	4	9	15	17	21	24
Glaxo (*770)	750	50	82	102	15	30	38
	800	23	54	75	40	55	60
Hawker Sidd. (*412)	390	35	50	55	18	23	33
	420	18	38	35	33	38	50
Hillsdown (*262)	260	14	26	31	12	16	20
	280	6	17	22	24	26	31
Lonrho (*189)	180	20	24	25	7	12	15
	200	9	14	17	15	25	26
Midland Bk (*185)	180	18	25	35	11	19	22
	200	8	17	23	22	35	35
Reuters (*565)	600	35	65	90	60	81	88
	650	20	47	73	93	112	113
R. Royce (*172)	160	18	25½	28	4	7½	10
	180	6½	13½	16	11½	15	18
Sears (*86)	80	11	15	17	3	4	6½
	90	5	9	11	8	10	11
THF (*260)	260	13	25	30	9½	15	19
	280	5½	14	-	22	24	-
Thorn EMI (*613)	600	36	59	77	21	28	33
	650	17	35	54	48	53	59
TSB (*130)	130	7	10	14	7	9	12
	140	3	6	8	14	15	18
Vaal Reefs (*$69)	60	15	17	20	4	7	9
	70	8	10	16	8	12	13
Wellcome (*474)	460	35	57	72	20	30	35
	500	17	37	52	44	52	57

EURO FT-SE INDEX (*2051)

	1925	1975	2025	2075	2125	2175	2225	2275
CALLS								
Oct	133	83½	33½	½	½	½	½	½
Nov	163	124	88	61	38	21	12	-
Dec	189	-	117	-	68	-	35	-
Mar	240	-	175	-	119	-	79	-
Jun	285	-	222	-	165	-	120	-
Sep	317	-	248	-	199	-	155	-
PUTS								
Oct	½	½	½	17½	67½	117	167	217
Nov	20	29	39	64	96	130	170	-
Dec	34	-	59	-	106	-	172	-
Mar	60	-	90	-	130	-	187	-
Jun	65	-	95	-	130	-	183	-
Sep	70	-	105	-	130	-	173	-

FT-SE INDEX (*2051)

	1900	1950	2000	2050	2100	2150	2200	2250
CALLS								
Oct	158	108	58½	8½	½	½	½	½
Nov	185	146	106	74	48	30	18	11
Dec	215	174	137	108	81	60	42	30
Jan	230	193	158	126	100	79	60	46
Jun†	302	-	233	-	175	-	128	-
PUTS								
Oct	½	½	½	½	42½	92½	142	192
Nov	17	25	36	55	82	115	156	203
Dec	23	38	53	73	99	130	165	205
Jan	35	46	62	83	108	138	169	208
Jun†	58	-	89	-	135	-	195	-

‡-Premium shown for closing business only
October 31 Total Contracts 24,746
Calls 11,346 Puts 13,400
FT-SE Index Calls 3,871 Puts 5,117
Euro FT-SE Calls 52 Puts 759
*Underlying security price. † Long dated expiry mths

UK COMPANY NEWS

Firm overseas demand protects transmission side

Fenner advances 21% but warns on current year

By Richard Gourlay

FENNER, the Hull-based maker and distributor of power transmission equipment and conveyor belts, yesterday announced increased profits and margins but warned that trading conditions would be less favourable in the present year.

Pre-tax profits for the year to end-September rose 21 per cent to £16.1m on turnover up 11 per cent at £215.2m.

Earnings per share rose 10 per cent to 22.3p.

A recommended final dividend of 5.1p lifts the total for the year to 8.55p, an advance of 6 per cent.

Mr Peter Barker, chairman, said the current economic climate did not justify increasing the dividend in line with earnings per share.

Debt increased by £13m to £30m during the year as a result of acquisitions, capital expenditure, an increase in stocks ahead of the closure of two conveyor belt factories in Scotland and higher strategic inventory levels in India and South Africa.

As a result gearing rose from 27 per cent to 47 per cent, although the increase was exaggerated by the presence of the unspent proceeds of a rights issue which were held in the books at the previous year-end.

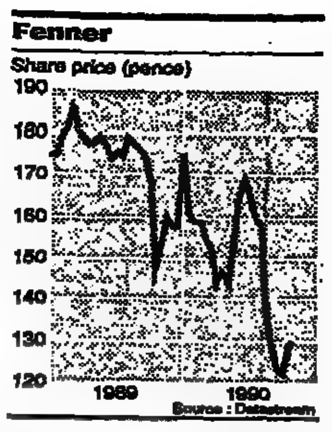
The factories Fenner closed in Scotland had mainly supplied the US market which became unviable as a result of the strong pound and adverse changes in US specifications.

The company made a £3.2m extraordinary item to cover these closures.

Fenner also spent £3.5m to upgrade its Hull operation and cut operating costs.

Some 60 per cent of group turnover came from overseas operations where demand remained firm, helping to protect the important power transmission businesses which accounted for about half of group trading profits and turnover.

Fenner



● COMMENT

Fenner's 21 per cent increase in profits is nothing to be sneezed at in today's markets but the company has set itself a hard act to follow. Gearing of 47 per cent going into a recession is uncomfortably high, especially when some of the increase comes from increased strategic stocking in political hot spots like India and South Africa which are showing no signs of cooling down. While Fenner's foreign operations might act as a hedge against recession in the UK engineering sector, they will be hit in 1991 both by the strength of sterling and a slowdown in the US, the group's most important market.

After a higher tax charge, profits are likely to fall slightly to £15.5m or 20.5p per share, giving a prospective multiple that still looks attractive at 6.3.

Half-price travel for Eurotunnel subscribers

By Andrew Hill

INVESTORS WHO subscribe for Eurotunnel shares through the group's £530m rights issue later this month are likely to receive half-price travel on the cross-Channel shuttle when the fixed link opens in 1993.

Shareholders who buy the maximum number of new shares available – probably £5,000 worth – should be entitled to 50 years of half-price travel.

Eurotunnel, which announced the first breakthrough beneath the Channel on Tuesday, has already revealed that the incentives will consist of discounted travel rather than free travel, which was the perk attached to the original public offer of shares in 1987. Unlike the 1987 incentives, subscribers to the issue will be able to nominate others to receive the perks.

The incentives are likely to go up in six tiers, with those who subscribe for the £160 minimum receiving a small number of half-price journeys.

Full details of the incentive scheme will be in the rights issue prospectus, which should be published shortly. Eurotunnel, has mounted a £5m advertising campaign.

Scottish Heritable forecasts £5.5m loss

By Andrew Jack

SCOTTISH HERITABLE Trust, the mini conglomerate with diverse activities including property development, quarrying and oriental carpets, yesterday warned that it was expecting losses of £5.5m pretax for the year to December 31.

The York-based company also said it had arranged "an interim package of support" from its principal UK bankers until the year-end, subject to certain conditions that it expected to be fulfilled this week. It refused to give further details.

The announcement follows a warning in July that profits would be lower than the previous year. The company then brought forward its results by a month to report losses of £3.88m for the six months to end-June.

At that time, directors said they were confident of a recovery in the second half. But with continued poor trading, particularly from the property division, it now anticipates second half losses of some £1.7m, making £5.5m for the year, compared with a pre-tax profit of £10.1m for 1989.

The company's shares dropped 3½p to 10½p on the day, half of their closing level on Monday. The price has plummeted from 105p since the profits warning in July.

Gearing is currently more than 150 per cent, although the company said it has been stable since April. Interest payments for the six months to June 30 were £2m.

Scottish Heritable closed its property development division at the end of September and expects "substantial extraordinary losses" for the year. There will also be provisions against the closure of Kings Haven, a loss-making modular motel unit in the US.

It has failed to find a buyer for Corson quarry, also in the US, but said it is vigorously pursuing alternative business disposals.

Quarrying, hospital beds, oriental carpets and other manufacturing businesses all performed poorly at the half year. The company's fireworks, modular housing and some carpet businesses remained profitable, according to some sources.

One commentator close to the company said: "It's as though all the lemons on the fruit machine came up together this year."

St James's Place nav slips 6% after demerger

By Andrew Hill

THE NET asset value of St James's Place Capital, the successor to J Rothschild Holdings (JRH), slipped 6 per cent from 83.6p to 78.4p per share in the month following the reconstruction of JRH.

About half of JRH's net assets were injected into the newly created Bishopsgate Growth Unit Trust on August 27. After allowing for the demerger, St James's said its net asset value had declined by 10.5 per cent during the six months to September 30, but pointed out the decline was less than for other market indices in the same period.

Pre-tax profits were sharply lower at £9.3m, but that compared with £58.5m for JRH in the corresponding period before the demerger. Earnings per share were 3.3p (13.8p).

However, St James's repeated its conviction that the creation of long-term value for shareholders was more important than short-term profits.

Mr Clive Gibson, one of St James's executive directors, admitted that the group had underestimated market turbulence in the aftermath of the invasion of Kuwait.

"St James's Capital is not intended to be a well-balanced portfolio – it's a collection of Jacob Rothschild-influenced assets," explained Mr Gibson yesterday. Lord Rothschild owns 14 per cent of St James's.

The interim dividend is 1.5p, which as a percentage of net asset value was in line with the yield on the FT-Actuaries Investment Trusts Index, as promised in the demerger circular.

Mount Charlotte keeps own management team

By Andrew Bolger

MOUNT Charlotte Investments, Britain's second biggest hotels group, will continue to be managed by Mr Robert Peel, its chief executive, and his management team, in spite of the successful takeover by Brierley Investments (BIL).

The hotel group's board yesterday acknowledged that BIL had acceptances representing 52.5 per cent of the shares, but continued to insist that the 73p per share cash offer "undervalues Mount Charlotte's high quality assets and the earnings potential which they give the company."

BIL's offer, which values the group at £644m, has been declared unconditional.

The board said it had received assurances from BIL that Mount Charlotte, in common with other BIL subsidiaries, would continue to operate as an independent autonomous entity, preserving the management of the company.

BIL had also given assurances that it would encourage an active market to be made in Mount Charlotte shares.

Mount Charlotte directors said they intended to accept the Brierley offer in respect of most of their shares.

Mount Charlotte shares yesterday closed at 72½p, up ½p.

MONTHLY AVERAGES OF STOCK INDICES

	October	September	August	July
Financial Times				
Government Securities	79.61	78.38	78.03	79.22
Fixed Interest	88.38	88.72	87.36	87.88
Ordinary	1619.5	1599.1	1710.2	1873.4
Gold Mines	173.9	192.0	212.1	181.5
SEAQ Bargains(4.45pm)	20,921	18,199	21,614	24,677
F.T.-Actuaries				
Industrial Group	1006.17	999.80	1070.60	1177.45
500 Share	1115.09	1116.52	1184.05	1275.24
Financial Group	663.72	669.19	734.19	804.49
All-Share	1009.41	1008.65	1075.21	1162.07
FT-SE 100	2091.9	2081.0	2195.0	2361.9

	Oct. High	Oct. Low
Ordinary	1705.7 (8th)	1573.0 (1st)
All-Share	1058.54 (8th)	979.09 (1st)
FT-SE 100	2201.6 (8th)	2030.8 (1st)

MARKS & SPENCER

Marks and Spencer p.l.c. unaudited results for the first half of the 1990/91 financial year.

Highlights from

THE STATEMENT BY THE CHAIRMAN, THE LORD RAYNER

- **Group profit before tax up 10.3% to £230 million**
- **Group profitability up to 8.7% from 8.3%**
- **Group cash emphasis produces net interest receivable**
- **European sales up 35% and profits up 40%**

The unaudited results of the Group for the first half of the 1990/91 financial year are announced as follows:

	26 weeks ended 29th Sept 1990	26 weeks ended 30th Sept 1989	Increase	Year ended 31st March 1990 (52 weeks)
	£ million	£ million	%	£ million
GROUP TURNOVER (note 1)	2,657.9	2,503.5	6.2	5,608.1
GROUP OPERATING PROFIT (notes 3 & 4)	235.6	225.7	4.4	627.7
Net interest receivable/(payable)	0.5	(11.8)		(8.8)
Provision for United Kingdom Employees' Profit Sharing Scheme (note 5)	(5.8)	(5.2)		(14.7)
GROUP PROFIT BEFORE TAXATION (note 9)	230.3	208.7	10.3	604.2
TAXATION (note 10)	(82.9)	(74.1)	11.9	(214.5)
GROUP PROFIT AFTER TAXATION	147.4	134.6	9.5	389.7
Profit attributable to minority interests	(0.4)	(0.5)		(0.7)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	147.0	134.1	9.6	389.0
Dividends (note 11)	(54.2)	(49.8)	8.8	(172.5)
Undistributed surplus	92.8	84.3	10.1	216.5
Earnings per share	5.4p	5.0p	8.7	14.5p
Dividend per share	2.0p	1.85p	8.1	6.4p

NOTES:

1. Group turnover (excluding VAT and other sales taxes) is as follows:

	26 weeks ended 29th Sept 1990	26 weeks ended 30th Sept 1989	Increase	Year ended 31st March 1990 (52 weeks)
	£ million	£ million	%	£ million
United Kingdom and Eire Stores				
Clothing	1,071.4	1,021.2	4.9	2,325.1
Homeware	227.5	217.2	4.7	535.1
Foods	963.8	879.1	9.6	1,905.2
	2,262.7	2,117.5	6.9	4,765.4
Overseas Stores (notes 6, 7 & 8)				
Europe				
Clothing	48.7	36.6	33.1	87.3
Homeware	6.2	3.0	106.7	10.0
Foods	11.0	9.2	19.6	22.6
	65.9	48.8	35.0	119.9
North America				
Clothing	127.2	141.0	(9.8)	300.9
Homeware	41.6	45.4	(8.4)	100.0
Foods	80.2	86.3	(7.1)	178.2
	249.0	272.7	(8.7)	579.1
Far East	9.2	5.2	76.9	13.8
Direct Export Sales Outside the Group	30.3	22.6	34.1	49.3
	2,617.1	2,466.8	6.1	5,527.5
Financial Activities	40.8	36.7	11.2	80.6
TOTAL GROUP TURNOVER	2,657.9	2,503.5	6.2	5,608.1
Total Exports from the United Kingdom	81.0	61.6	31.5	136.0

2. *U.K. price inflation in 'like for like' merchandise was* 4% on Clothing, 3.5% on Homeware and 5.7% on Foods. There was 3.4% more selling space (net of closures) than the same period last year, which we estimate contributed 1.4% to the sales increase.
3. Group Operating Profit is after charging depreciation of £56.0m (last year £55.9m) and losses on disposal of fixed assets of £0.5m (last year £1.6m).
4. Group Operating Profit arises as follows:

	1990	1989
	£m	£m
The United Kingdom and Eire	226.6	216.2
Europe	8.0	5.7
North America – U.S.A.	3.1	7.7
– Canada	(2.7)	(3.8)
Far East	0.6	(0.1)
	235.6	225.7

5. At the end of each financial year the directors allocate a proportion of the United Kingdom profits to the employees under the terms of the United Kingdom Employees' Profit Sharing Scheme. Provision has been made against the half year profit.
6. The results of overseas subsidiaries have been translated using average rates of exchange ruling during the financial period. The comparison of turnover and operating profits has been affected by the movement of exchange rates. Expressed in local currency, European sales increased by 25.4% and operating profits increased by 33.1%. Turnover and operating profits for North America are shown in local currency in notes 7 and 8 below.
7. The turnover for North America is analysed as follows:

	1990	1989
	US$m	US$m
U.S.A.		
Brooks Brothers	133.3	136.5
Kings Super Markets	141.2	145.7
	274.5	282.2
	C$m	C$m
Canada		
Marks & Spencer Division	67.9	63.5
Peoples	84.0	80.5
D'Allaird's	42.2	40.9
	194.1	184.9

8. The operating profits for North America are analysed as follows:

	1990	1989
	US$m	US$m
U.S.A.		
Brooks Brothers	1.5	8.1
Kings Super Markets	5.4	6.6
Corporate expenses	(1.1)	(2.3)
	5.8	12.4
	C$m	C$m
Canada		
Marks & Spencer Division	(7.8)	(9.2)
Peoples	(0.5)	(1.8)
D'Allaird's	3.8	4.5
Corporate expenses	(1.0)	(0.8)
	(5.5)	(7.3)

9. The Group Profit Before Taxation can be analysed between:

	1990	1989
	£m	£m
Retailing	226.3	203.0
Financial Activities	4.0	5.7
	230.3	208.7

Financial Activities comprise treasury, insurance and financial services. Financial services, which include Chargecard, budget accounts, personal loans and the management of unit trusts produced a profit before tax of £1.1m (last year £3.6m).

10. The taxation charge for the first half of last year has been adjusted to reflect the actual rate of taxation on the year's profit.
11. The interim dividend will be paid on 18th January 1991 to shareholders whose names are on the Register of Members at the close of business on 15th November 1990. Shareholders may choose to take this dividend in *shares or in cash. Full details will be sent to shareholders in December.*
12. The Summary of Results for the year ended 31st March 1990 does not constitute full financial statements within the meaning of S240 of the Companies Act 1985. The full financial statements for that year have been reported on by *the Company's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not* contain a statement under either S237(2) or S237(3) of the Companies Act 1985.

St Michael

UK COMPANY NEWS

Aeon deal cuts Laura Ashley gearing to 34%

By Maggie Urry

LAURA ASHLEY, the clothing and furnishings retailer, will cut gearing from 122 per cent to 34 per cent and will be able to renegotiate better terms with its bankers if the sale of a 15 per cent stake in the group to Aeon, a Japanese retailer, is approved by shareholders.

A document detailing the transactions was posted to shareholders yesterday in advance of a special meeting to be held on November 23. Sir Bernard Ashley, chairman, said his family holdings with 69.6 per cent of the capital would vote in favour.

The document shows net debt on a pro-forma basis falling from £88.7m at the January 27 balance sheet to £38.7m, while shareholders' funds would rise from £72.9m to £112.5m. The shares were unchanged yesterday at 72p.

The group plunged into losses in its last financial year, and announced the closure of seven factories with the loss of 1,500 jobs in September. It had reported the tie up with Aeon in August.

In the spring Laura Ashley's future hung by a thread as its bankers squabbled over renewing loans. The group finally signed a £115m facility in June on terms which it described as "excessively punitive" with large up-front fees and costs.

Borrowings under that agreement will be repaid using proceeds from the deal with Aeon and a new £60m facility. This has been arranged at a finer interest rate margin and with less onerous restrictions on the group's ability to sell assets.

Selling new shares representing 15 per cent of the group will raise a net £29m for Laura Ashley. There is a 10 year standstill agreement which prevents Aeon, which owns the Jusco Japanese retail group, either bidding for Laura Ashley or selling its stake, barring a bid from another source.

Aeon is also buying new shares in Revman, Laura Ashley's US bed linen business for £8.5m and Revman's management is investing £900,000, cutting Laura Ashley's stake to 47.5 per cent.

Revman is then repaying £14.8m of borrowings from Laura Ashley and is also repaying £4.3m in cash plus issuing it with £4.1m of seven year preferred stock.

Aeon is paying £600,000 to increase its stake in the Japanese joint venture with Laura Ashley from 50 to 60 per cent.

Telegraph steady at £29.7m

By Raymond Snoddy

THE Daily Telegraph maintained profits in the nine months to the end of September in spite of the advertising recession. Pre-tax profits rose from £28.9m to £29.7m on turnover down from £175.1m to £166.8m.

Mr Joe Cooke, managing director of the Daily Telegraph group, said yesterday: "We are fortunate that we pursued cost cutting so assiduously over the past few years. We did not let up when the going was good."

Mr Cooke confirmed the experience of most media organisations of a difficult market with little chance of improvement in the immediate future.

The result was boosted by higher investment income – £3.89m against £1.1m for the same period last year.

The results demonstrate again the transformation in the fortunes of the Daily Telegraph since Mr Conrad Black became the publisher.

Less than five years ago the group that publishes the Daily Telegraph and Sunday Telegraph came to the edge of bankruptcy.

Cullen's maintains recovery at halfway

By John Thornhill

IN SPITE of an exceptional charge of £110,000, Cullen's Holdings, the grocery retailer which last year returned to the black after eight years of losses, yesterday reported a "satisfactory" half year with pre-tax profits of £339,000.

Last time it incurred a loss of £317,000, after an exceptional credit of £373,000.

Sales in the six months to August 26 were £863,000, against £6.33m, although both these figures are misleading since they only include the results from managed stores during each period.

But the company claimed that store turnover had on average been 20 per cent ahead of the previous year.

Mr Robert Rayne, chairman, said: "Cullen's is now a very different company from what it was. It has been a very expensive difficult learning curve but the majority of the problems have been solved, the management is improving and I am now looking for a long-term steady improvement."

Earnings per share amounted to 1.3p against losses of the same amount last time.

No interim dividend is declared although Mr Rayne said he was optimistic that the company would return to the dividend list in the near future.

Holmes Protection shareholders warned

By Andrew Hill

Tom Mayer: holders conscious of pressures

AN OUTGOING director of Holmes Protection Group yesterday warned shareholders at the New York-based security company's annual meeting of the dire consequences for the group if certain disposals did not go ahead.

Shareholders backed the board's decision to limit itself to six directors, in effect rejecting a proposal to re-elect Mr Eric Kohn, a non-executive director who has been a thorn in the side of the group's two chief executives, Mr David James and Mr John Flack.

They are pushing through a programme of disposals in an attempt to meet a January 2 deadline for the repayment of $27m of debt. The group hopes to sell some of its New Jersey assets for between $21m and $23m (£11.8m), subject to shareholder approval and a 30-day investigation by Alert Systems, the potential buyer.

But following the formal business of the meeting Mr Kohn warned: "Shareholders must be aware that if the sale process doesn't go through we will be in default on our loans. It's also difficult to see how other loan commitments will be met."

Mr Tom Mayer, Holmes' new chairman, said he believed shareholders were already conscious of the pressures on the company. Its share price has fallen from 138p in April 1988, hit by a combination of poor trading and damaging boardroom departures, to yesterday's closing price of 8p, down 1p.

Shareholders supported the official board nominations, electing the five directors named in Holmes' circular, including Mr Robert Mansfield, the managing director of Wormald International.

Wormald, an Australian fire protection company, is Holmes' largest shareholder with a stake of nearly 15 per cent. The Australian group also proposed Mr Kohn and Ms Barbara Thomas as additional board-members, but shareholders rejected a motion to increase the board to eight directors.

Mr Kohn's suggestion that Holmes should appoint a new auditor was also rejected. He said he had no complaints about Peat Marwick Main, which has been Holmes' auditor throughout the turbulent last two years, but argued the group should make a fresh start.

Holmes hopes to have signed a definitive sale agreement for the New Jersey assets by November 26.

NEWS DIGEST

Bett Bros static at £4.3m

BETT BROTHERS yesterday underlined how the building slump which is currently affecting much of the UK has had a relatively minor impact north of the border.

The Dundee-based building, property investment and development, and leisure group, reported taxable profits of £4.3m for the 12 months to August 31 – a marginal decline on the previous year's £4.35m.

Referring to the housebuilding operation, Mr Iain Bett, chairman, said the downturn in the market in the east of Scotland had "lagged behind the rest of Britain and the resultant effect has anyway been diluted by the relatively buoyant Scottish economy".

Bett sold 178 units during the year, against 184 in 1988-89.

Turnover fell from £34.74m to £20.63m, although Mr Bett said this reflected a sizeable land sale in the previous period.

Earnings per 20p share worked through at 18.59p (18.86p) and a recommended final dividend of 4.3p (3.95p) increases the total for the year to 6.4p (5.8p).

Haemocell rights and USM quote sought

Haemocell, the blood filtration equipment manufacturer which joined the third market in December 1988, plans to launch a £2.5m rights issue and seek an introduction to the USM.

The Newcastle-based company is proposing a 1-for-4 rights issue of 3.13m ordinary shares at 90p each, fully underwritten by Allied Provincial Securities. Directors have renounced their entitlements, amounting to 2.44m shares.

Haemocell also reported a loss for the year to August 31 of £906,000 compared with a restated loss of £387,000 in the previous 12 months.

Turnover jumped to £323,000 (£66,000), mainly as a result of contributions from Bellhouse Group, a manufacturer of filtration equipment in which the company has a 51 per cent controlling interest.

Administrative expenses more than doubled to £1.07m (£418,000), reflecting research and development costs.

The loss per share is 7.1p (loss of 1.8p).

DG Durham static at £484,000

DG Durham Group, the USM-quoted insurance broker, reported a slight improvement from £475,000 to £484,000 in pre-tax profits for the six months to June 30.

Trading was difficult and directors said the dollar's fall had not been helpful although the effect on the results was marginal. The Lloyd's brokers had a difficult period and the contribution from travel insurance was lower.

Turnover amounted to £4.31m (£4.54m). Earnings per share were 2.2p (2.4p) before and 1.4p (1.7p) after goodwill amortisation. The interim dividend is unchanged at 1p.

Jackson down and warns on second half

Jackson Group, the civil and mechanical engineer, suffered a decline from £1.27m to £1.02m in pre-tax profits for the half-year to June 30.

Mr F Jackson, chairman, said the shortfall was attributable to some reduction in trading profit margins as well as increased interest charges.

Turnover was up from £26.27m to £28.9m. After tax of £376,000 (£470,000), earnings per share emerged at 3p (3.7p). The interim dividend is maintained at 1p.

Anglo-Park lower with £404,000

Anglo-Park, the property development and investment company which was floated last December, announced pre-tax profits of £404,000 for the year to June 30 1990 compared with £1.77m previously.

Earnings per share fell to 4.4p (30.6p) and a final dividend of 1p is recommended to make 3p for the year.

Turnover declined from £7.22m to £3.53m. An extraordinary charge of £169,000 represents the costs of the flotation.

Reduced deficit at Channel Tunnel

Channel Tunnel Investments reported a reduced loss for the six months to June 30 of £344 pre-tax compared with £2,633. Total interest received was up from £11,622 to £16,464.

Administration expenses were higher at £16,808 (£14,255). The loss per share was 0.02p (0.18p).

Whittington in loss and misses interim

In spite of an improvement from £7.6m to £13.4m in turnover, Whittington, which has two main operating divisions – diecast and pressed steel and giftware – incurred pre-tax losses of £746,000 in the six months to June 30 against profits of £151,000.

There was an extraordinary loss of £150,000 applicable to the disposal of the Walsall division of JW Bonser. On October 29 the company entered into an agreement to dispose of JW Bonser to Foray 242.

Losses per share amounted to 2.7p (earnings of 0.6p) and the interim dividend is passed.

Lon & Strathclyde nav at 246.5p

Net asset value at London & Strathclyde Trust fell to 246.5p at August 31, compared with 309.6p 12 months earlier. Net revenue for the year to end-August increased from £906,000 to £1.05m.

Earnings per share were 7.2p (6.2p) and the proposed final dividend of 3.95p makes a total for the year of 5.45p (4.8p).

Midland takes some HK bank operations

The Hongkong and Shanghai Banking Corporation's operations in Gibraltar are being transferred to the Midland Bank as part of the two organisations' gradual rationalisation of their international activities.

This shows that the rationalisation is to continue, even though the two banks are expected to announce soon that they will not go ahead with full merger moves when a three year moratorium on the Hongkong's 14.9 per cent stake in Midland expires late in December.

Midland Bank Trust Corporation (Jersey) is to acquire the entire issued share capital of Hongkong Bank and Trust Company Gibraltar on November 30. It will change the name to Midland Bank Trust Corporation (Gibraltar).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted except retail sales value.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1989							
1st qtr.	110.0	118.2	33.9	121.5	125.6	1,968	228.5
2nd qtr.	109.5	118.4	33.5	121.9	132.4	1,837	232.4
3rd qtr.	110.6	118.4	34.1	121.5	134.5	1,749	228.2
4th qtr.	110.6	118.6	33.4	122.4	160.8	1,654	208.5
August	111.0	118.8	33.5	121.6	134.4	1,745	210.5
September	110.9	119.3	33.3	122.5	134.5	1,693	220.7
October	110.7	118.5	34.3	121.6	140.5	1,676	214.8
November	110.1	118.6	33.2	121.7	155.5	1,652	208.8
December	110.7	119.5	33.6	123.4	185.5	1,635	193.4
1990							
1st qtr.	110.2	119.8	34.2	123.1	135.1	1,609	187.5
2nd qtr.	112.5	121.1	36.9	123.7	145.2	1,612	194.1
January	109.9	118.6	34.6	123.2	134.9	1,612	189.5
February	109.3	119.0	33.9	124.4	134.9	1,616	182.7
March	111.5	121.2	34.2	123.6	139.1	1,604	189.5
April	112.5	121.7	36.4	123.8	144.9	1,607	200.2
May	111.3	121.4	38.6	124.5	144.6	1,611	189.9
June	112.4	120.2	36.2	123.6	141.3	1,618	189.2
July	109.6	120.4	35.3	124.6	149.9	1,632	179.5
August	109.0	119.5	35.6	122.9	143.4	1,653	180.4
September				123.6		1,687	162.6

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consumer goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1989							
1st qtr.	113.1	120.9	104.3	119.9	131.2	100.9	16.2
2nd qtr.	113.8	121.9	103.6	120.6	133.3	98.1	15.5
3rd qtr.	114.9	122.2	104.6	121.6	132.7	97.9	15.3
4th qtr.	114.7	120.9	103.1	120.9	132.0	97.7	12.6
July	113.5	122.7	103.6	120.9	127.9	98.9	15.5
August	114.7	122.5	105.9	121.4	133.9	98.0	14.2
September	114.7	121.9	103.6	122.9	134.9	97.0	14.9
October	114.3	122.6	103.6	121.5	134.8	99.0	15.9
November	113.9	119.1	103.4	119.0	131.9	97.0	13.5
December	115.9	121.7	104.7	121.9	132.0	100.9	8.9
1990							
1st qtr.	115.7	122.6	103.6	121.4	118.9	96.3	14.3
2nd qtr.	116.1	125.1	103.3	123.3	126.4	97.7	14.1
January	115.9	122.2	103.9	121.6	119.9	100.0	14.2
February	114.8	121.6	102.7	120.6	117.6	96.0	13.6
March	116.5	123.7	103.2	123.9	122.9	96.9	16.0
April	117.0	126.6	104.2	124.0	123.6	98.6	15.6
May	115.5	126.2	104.3	124.0	127.0	96.6	14.7
June	115.6	122.5	103.3	122.6	128.0	97.9	13.3
July	115.5	123.7	102.1	123.0	127.0	98.0	12.9
August	115.5	121.1	102.8	120.6	121.0	95.9	13.7

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1989							
1st qtr.	113.2	141.5	-6,201	-4,629	+229	98.4	51.28
2nd qtr.	113.7	147.6	-6,559	-4,868	+229	96.1	45.67
3rd qtr.	117.5	142.5	-6,608	-6,150	+397	97.0	43.24
4th qtr.	124.6	138.1	-4,382	-3,788	+627	98.9	39.03
August	114.5	142.2	-2,442	-2,290	+163	97.4	43.21
September	122.3	145.0	-2,035	-1,882	+184	96.5	42.53
October	122.7	139.4	-1,885	-1,487	+212	96.9	39.65
November	122.0	141.0	-1,849	-1,651	+205	96.9	36.77
December	129.6	134.0	[illegible]	[illegible]	+210	96.9	38.64
1990							
1st qtr.	125.1	147.4	-5,828	-4,012	+430	97.1	38.76
2nd qtr.	127.9	146.1	-5,178	-4,943	+433	97.6	38.98
January	125.7	150.1	-2,016	-1,620	+136	97.4	38.45
February	124.4	146.2	-1,458	-1,080	+192	97.4	38.54
March	125.2	152.6	-2,354	-1,932	+142	96.6	39.29
April	127.3	151.4	-2,064	-2,045	+159	97.3	38.03
May	129.6	147.6	-1,511	-1,492	+101	97.5	38.33
June	126.3	144.9	-1,609	-1,584	+172	97.9	39.07
July	119.6	146.0	-1,770	-1,770	+ 29	98.9	38.84
August	125.2	142.6	-1,199	-1,199	+145	102.1	39.39
September	126.1	141.0	-845	-845	+205	103.7	39.06

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1989							
1st qtr.	6.7	18.3	18.2	+21,220	2,081	[illegible]	13.00
2nd qtr.	6.0	13.1	18.2	+20,258	1,735	+899	14.00
3rd qtr.	5.3	10.2	17.1	+25,122	2,285	+725	14.00
4th qtr.	[illegible]	10.1	17.5	+29,696	1,057	[illegible]	15.00
August	6.1	10.2	17.3	+ 7,954	621	[illegible]	14.00
September	4.8	10.0	17.4	+10,444	815	+164	14.00
October	5.2	9.9	17.2	+ 5,167	704	+179	15.00
November	5.7	10.7	17.3	+ 4,238	177	+209	15.00
December	6.1	9.8	18.1	[illegible]	176	- 2	15.00
1990							
1st qtr.	6.2	4.6	17.8	+22,166	1,115	[illegible]	15.00
2nd qtr.	6.9	6.1	11.2	[illegible]	2,225	+719	15.00
January	5.8	8.2	18.2	[illegible]	359	[illegible]	15.00
February	6.4	[illegible]	17.8	+ 7,149	382	+283	15.00
March	6.3	8.6	17.4	+ 9,202	363	[illegible]	15.00
April	7.3	8.5	17.4	+ 3,821	783	+133	15.00
May	6.9	7.7	17.2	+ 5,711	703	+324	15.00
June	6.5	8.2	16.9	+ 6,950	809	+242	15.00
July	5.5	8.3	[illegible]	+ 4,357	563	+133	15.00
August	4.9	7.5	16.6	+ 4,670	823	+149	15.00
September	4.5	7.2	14.6	+ 7,494	888		15.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1989							
1st qtr.	106.2	102.8	118.5	111.7	107.8	1,976	95.5
2nd qtr.	107.8	104.4	118.2	114.9	[illegible]	2,016	90.2
3rd qtr.	109.6	103.1	119.7	116.0	110.7	1,912	91.4
4th qtr.	112.8	105.8	[illegible]	118.3	113.5	1,943	88.9
August	109.9	[illegible]	119.7	115.8	[illegible]	1,917	91.5
September	110.9	103.6	120.2	[illegible]	[illegible]	1,889	91.3
October	112.2	104.1	120.8	117.5	[illegible]	1,851	89.7
November	112.3	105.7	[illegible]	118.5	113.5	[illegible]	87.9
December	113.5	107.7	121.5	[illegible]	[illegible]	1,818	86.5
1990							
1st qtr.	116.0	105.7	123.1	120.4	116.9	[illegible]	88.1
2nd qtr.	118.6	103.5	125.7	126.0	119.6	1,902	88.5
January	115.1	107.4	122.6	119.5	[illegible]	1,799	87.7
February	[illegible]	104.6	123.0	120.2	117.0	[illegible]	89.6
March	117.3	105.1	123.8	121.4	117.7	1,907	87.1
April	117.4	104.7	[illegible]	125.1	118.8	1,928	87.2
May	118.7	103.6	125.6	126.2	120.1	1,920	88.0
June	119.7	[illegible]	126.1	126.7	120.0	1,860	90.3
July	119.5	100.9	126.4	126.8	119.6	1,827	93.4
August	[illegible]	101.9	126.6	128.1	120.8	1,782	95.3
September		104.1	127.5	[illegible]	120.3		93.9

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Polly Peck administrator says raid was 'disruptive'

By David Barchard and Clay Harris

THE ADMINISTRATORS of Polly Peck International yesterday returned to their task of sorting out the company's affairs after what one of them described as the Serious Fraud Office's "disruptive" search of its headquarters on Tuesday.

Meanwhile, Mr Asil Nadir, Polly Peck's chairman, this morning will renew his effort in the High Court to force the SFO to disclose the basis of its investigations into his affairs.

Mr Nadir was not at the headquarters on Tuesday when police and accountants attached to the SFO mounted an all-day search of the premises. One executive described the search of all briefcases and handbags as "humiliating."

Mr Richard Stone, one of three administrators appointed last week, flew to Istanbul yesterday. Coopers & Lybrand Deloitte, Mr Stone's accountancy firm, said last night his plans were still uncertain, but he was expected to stay for only two days in Istanbul.

Mr Stone belonged to the team of independent investigators from Coopers which visited Turkey and Cyprus a week ago to examine Polly Peck's subsidiaries.

The investigators ran into difficulties when they tried to

Asil Nadir: seeking to discover basis of investigation

assess the trading position of Polly Peck's fruit business in Turkey and Cyprus, though Mr Stone said afterwards that they had been courteously received.

An injunction issued by a Turkish Cypriot court on October 22 prevents Polly Peck's subsidiaries from communicating information of any kind to outsiders. It was issued at the request of a group of Cypriot orange farmers who say their business interests are being harmed by the controversy surrounding Polly Peck.

Mr Stone is expected to inform the Turkish authorities of the legal changes affecting Polly Peck and its subsidiaries and make a preliminary assessment of the situation, including the degree to which the group's subsidiaries will co-operate with the administrators.

If large amounts of funds can be unlocked from the fruit exporting subsidiaries in Turkey and northern Cyprus, it will be a departure from past practice.

"Polly Peck's fruit exporting ventures in Turkey are not used to remitting cash directly to London as dividends or for repayment of interest on inter-company loans," one London business source said yesterday.

Mr Michael Jordan, another administrator, told BBC radio that he had "no idea what motivated" the SFO to make the raid on Tuesday. He added: "We were not pleased, because it was a totally disruptive day for us and we have an awful lot of work to get on with."

He also described Polly Peck's assets around the world as "very, very considerable." It was the administrators' intention to try to "achieve the survival of the whole of the group or a major part of the group as a going concern."

Nominee lifts W Greenbank stake

By Andrew Hill

AUBIN, a Jersey-based nominee company, has increased its stake in Walker Greenbank, the wallcoverings group, to 22.6 per cent and named its backers.

Mr Charles Wightman, Walker's chief executive, said the group had not ruled out the possibility that the stake might be hostile.

Walker had conglomerate ambitions until laid low by an ill-judged purchase. It has just completed a disposal programme and plans to expand.

Mr Sigurd Reinton, an Aubin investor and adviser, said yesterday: "I don't think we are a hostile shareholder. What we saw here was a group which had fallen by the wayside and was returning to being a good business. We then became alarmed when Walker started to sell off businesses, we thought, a little too quickly."

Mr Reinton said Aubin "might or might not" get in touch with Walker management, and the group had "misconstrued" the situation if it thought Aubin wanted seats on the board. Walker's shares closed 2p lower at 55p.

Mr Reinton said: "Aubin is not a stalking horse for anybody." Investors connected with Aubin include: Mr Monty Freedman, a founder of the Wilcomatic car-wash business Walker bought in 1987 and has since sold; FAI Overseas Investments; the family of Sir Cecil Burney; the family of Baron de la Vallée Poussin; and Sandi International Bank.

Food Industries dips to I£2.7m

Food Industries, the Dublin-based company with subsidiaries involved in the assembly and handling of a wide variety of grain crops, malt and preserves, reported a fall from I£4.06m to I£2.69m (£2.4m) in pre-tax profits for the six months to June 30.

Earnings per share amounted to 5.9p (9.81p) for the maintained 1.6p interim dividend.

Turnover was I£63.16m (I£68.23m). Interest charges doubled to I£1.07m (I£539,000). There was an extraordinary debit of I£905,000 reflecting the proposed uniting of the major dairy co-ops in the north-east.

Divergence of structure for the convergence of markets

David Lascelles on how Barclays has been forced to divide in two to maintain headway

FOUR YEARS after Big Bang, the City of London is still wrestling with the changes brought about by that historic event.

The group restructuring which Barclays announced yesterday can be traced directly back to the abolition of traditional demarcation lines between different types of finance which occurred in 1986.

Barclays, in common with most other banks, bought stockbroking and jobbing firms and welded them into a new investment bank, Barclays de Zoete Wedd, which combined securities activities with merchant banking.

But the cultures of commercial and investment banking are vastly different – the one conventional and measured, the other glamorous but risky. And the clearers have found it very difficult to manage the two without smothering the entrepreneurial ethos of investment banking.

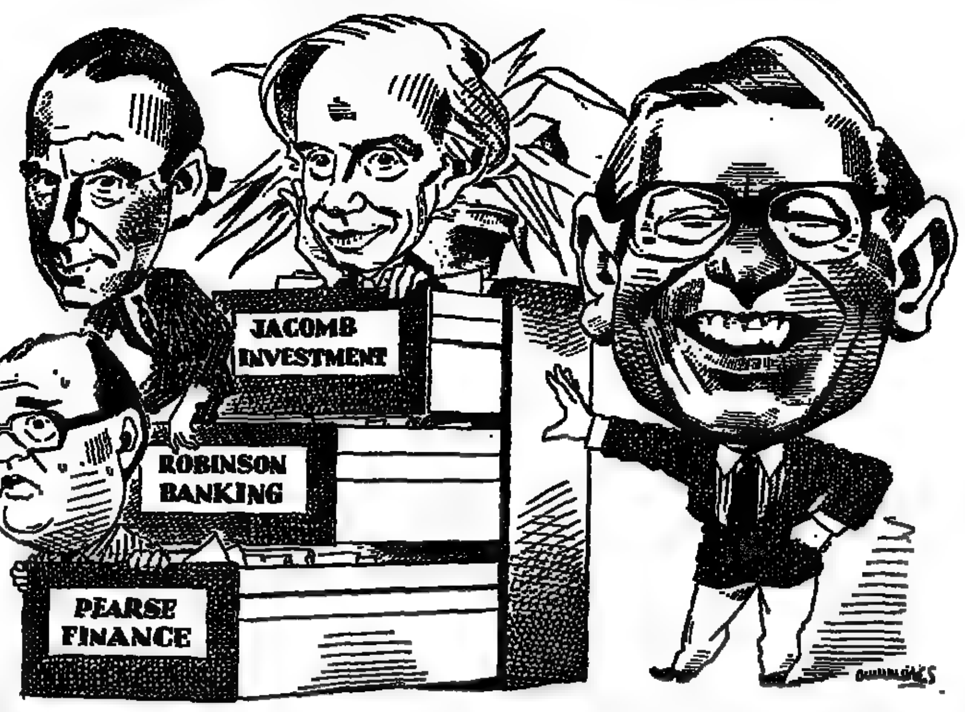
One of them, Lloyds, gave up very quickly. Midland beat a partial retreat. NatWest's investment banking arm, County, plunged it into the trauma of the Blue Arrow share-rigging scandal.

Only Barclays seemed to be making headway, but as yesterday's moves showed, some refinement was even necessary there.

"The trick is to make commercial and investment banking work in the same group," said Sir Martin Jacomb, Barclays' deputy chairman.

The approach Barclays has taken is to identify the two main ethoses in the group, commercial and investment banking, and build new divisions round them.

The first will include all the traditional clearing banking activities, such as high-street banking and corporate lending, where little will change. The second will bring together



BZW, until now an autonomous subsidiary, and Barclays' treasury department which handles all Barclays' considerable dealings in the money markets and is one of the largest players in the London foreign exchange market.

The second group, to be known as Markets and Investment Banking Division (MIB), is the major innovation. It is here that the investment banking culture will be concentrated. Sir Martin, who is also chairman of BZW and a merchant banker by origin, will become executive chairman of MIB, emphasising its distinctness from the clearing bank ethos.

In choosing ethos as the guiding principle, Barclays is deliberately foregoing other distinctions which banks have used to manage complex businesses – such as geography, product line or function. And it contrasts with the approach of other clearers.

NatWest, for example, has preserved County as a separate investment bank, providing merchant banking and equity-related securities services. But it has removed all debt and money market activities and combined them with the group treasury.

This creates a distinction between equity-based and other types of finance, for the sake of a more tightly organised treasury division which can serve all parts of the group.

Mr Martin Owen, group treasurer, yesterday described it as "a bridge" between the investment banking and commercial banking cultures within NatWest. But following Blue Arrow, NatWest has tightened the reins of control over County and this may have diluted its culture.

Midland has taken another approach. Three years ago, it created Midland Montagu, its investment banking division, in which it put its treasury and securities operations as well as conventional banking services for large corporate customers. The rationale is that these customers need the most sophisticated services, and Midland Montagu can supply them – and any other customers who need them - all from under one roof.

But Midland's structure displayed a flaw last year when its treasury became rather too entrepreneurial and took a major gamble on interest rates which failed.

Barclays hopes to avoid this problem by creating a separate group to look after the balance sheet, the Finance Division. This will be independent of both the banking division and MIB, and will be responsible for prudently managing the group's resources. Since last year's losses, Midland has also tightened control of the balance sheet.

The varied approaches taken by the leading clearing banks suggests that there is still no clear-cut legacy from Big Bang, though Barclays was claiming yesterday that its structure, put together with the help of McKinsey, the management consultants, is the most advanced.

The experience of the clearers has a wider relevance. Japanese and US banks, for example, are watching closely because the prospect of deregulation in their own countries means that commercial and investment banking will soon be converging there too.

Some people may see in Barclays' move a step towards the universal banking structures of continental Europe where commercial and investment banking are closely intertwined in single banking groups. This trend could be encouraged by the emergence of a single EC market with common banking regulations in all member states.

But Sir John Quinton, Barclays' chairman, challenged this assumption yesterday. There was no question of mingling the two ethoses, he said, because they could only work effectively if they were separate. Indeed, he expected to see some continental banks become less universal. Deutsche Bank, he predicted, would have to ensure that its newly acquired London merchant bank, Morgan Grenfell, preserved its autonomy if it was to succeed.

See Lex

Correction
Turriff Corp

Turriff Corp has closed its information and marketing division, but has not closed its Bellman information and marketing subsidiaries as we reported on October 18. Bellman Data has been sold to its management; Bellman Computing and Bellman Direct remain part of the Turriff group.

Hong Kong group underwrites Vivat issue

By Clare Pearson

WING TAI, the Hong Kong-listed garment manufacturer, is expanding its investments in the UK clothing sector by underwriting a rights issue at Vivat Holdings, the Lee Cooper jeans and casual wear distributor.

Yesterday it took a 6.7 per cent stake in the company. Its holding will rise to a minimum of 24.5 per cent and a maximum of 29.9 per cent of the enlarged share capital following completion of the one-for-three £7.3m rights issue.

For the 2.76m shares bought yesterday, Wing Tai paid the rights issue price of 55p each. The shares closed 11p up at 49p.

The once-ailing Vivat also announced pre-tax profits of £1.03m, compared with a loss of £1.34m, for the half-year to end-June.

The rights issue proceeds are to be used to reduce borrowings.

Wing Tai has a strategy of building branded distribution channels in the UK and on the Continent.

Its investment in Vivat comes three months after it acquired a near-30 per cent holding in Campari International, the British wholesaler and distributor of leisure and sportswear.

The Vivat stake will be held via Potter Enterprises. Potter is a subsidiary of United Success International, part of Wing Tai's group which was formed following its £27.5m takeover last year of a Hong Kong garment producer formerly owned by Polly Peck International, the UK company which has recently gone into administration.

Mr Micheal Cooper, Vivat chairman, said the interim results provided "the first positive return for the considerable effort expended in the restructuring of the group."

Turnover was £56.15m (£54.35m). Pre-interest profits were £3.07m (£160,000). Earnings per share worked through at 2.6p, against a loss of 3.4p.

Vivat said it expected to recommend a final dividend for the year.

Mr Christopher Cheng, chairman of USI, and Mr Christopher Mansell, chief executive of Wing Tai (Europe) are joining Vivat's board.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bett Bros	fin	4.3	Feb 5	3.95	6.4	5.8
Bradford Prop	int	1.7	Jan 4	1.5	-	3.2
Drayton English	int	0.9	-	0.8	-	3
Ensign Trust	fin	1	Jan 7	1	1.3	1.3
Fenner	fin	5.1☆	Jan 24	4.9	8.55	8.1
Food Industries	int	1.6♣	Nov 27	1.6	-	4.9
Gresham House	int	3	Dec 21	3	-	7.25
Marks & Spencer	int	2☆	Jan 18	1.85	-	6.4
Reed Intl	int	5☆	Jan 11	4.8	-	14
St James's Place	int	1.5	Dec 15	5	-	10
Shiloh	int	3.375‡	Dec 7	0.875	-	2.625
Usher-Walker	int	3.5	Dec 10	3.5	-	11
VTR §	fin	2.2	Dec 7	2	3.3	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ‡Includes special of 2.5p.♣ Irish currency.

Dutch group sells 9.7% stake in Clyde

By Richard Gourlay

DSM Energie, a Dutch-based chemicals company, yesterday sold its 9.7 per cent stake in Clyde Petroleum, the independent UK oil company.

The block of shares, worth £52m, was placed with a wide range of institutions by Hoare Govett at 170½p, a 5 per cent discount to the market. Clyde's shares closed down 6p at 173p.

DSM Energie acquired its stake in Clyde last December in return for two companies with gas interests in the Alba and Kilda fields in the North Sea.

Clyde has long term gas contracts in the Netherlands and is developing gas assets in the north sea for the Dutch market.

It is understood there were potential conflicts of interest in the Netherlands between DSM Energie and Clyde.

Gresham House assets fall

Gresham House, an investment trust, reported net asset value of 696p at June 30, against 737p at the beginning of the year.

Earnings per share for the six months were 3.9p (5.6p). The interim dividend is maintained at 3p.

BUSINESS LAW

New discipline to fill the takeover void

By Leo Herzel

THE takeover market has suffered some severe blows recently. Its supporting economic theories have been losing intellectual status and political support; and takeover activity in the US has declined sharply.

There are many reasons for this loss of intellectual status and political support: the insider trading scandals; the demise of Drexel Burnham Lambert and with it, the junk bond market; the poor performance of US manufacturing industries in international competition; and the closely related concern about short-termism versus long run outlooks in US companies.

Yet it is generally agreed that in the US, fear of takeover is an important (although highly capricious) discipline on the self-interested behaviour of managements. Who or what can take the place of the takeover market? Is it likely to be institutional investors as some have suggested?

Colourful statements that institutions are replacing the takeover market do appear in the financial press: On 30 July this year for example Fortune magazine carried the following: "Don't relax, managers of America. Junk bond raiders may be less menacing than in the eighties, but marching right behind them are far mightier challengers for corporate control: the vast institutions that own $1 trillion – you heard that number right – of your equity."

But these articles are using the word "control" casually. They fail to cite a single example of an institution or group of institutions taking control of a public company. The examples used generally involve such matters as non-binding shareholder proposals against poison pills or in favour of confidential proxy voting.

Usually these proposals have not been adopted by boards of directors even when they were supported by a majority shareholder vote. Other examples given in these articles are instances of (quite limited) support for proxy fights spearheaded by takeover entrepreneurs such as Mr Harold Simmons of the Belzberg family.

In the US, institutional investors are discouraged (sometimes specifically prohibited) by the legal system from exercising control over portfolio companies.

Banks and bank holding companies are subject to specific prohibitions on owning stock. Mutual funds and insurance companies are subject to similar, although less stringent, statutory restrictions on stock ownership. Pension funds are subject to prudence and portfolio diversification requirements by the federal ERISA statute.

Even more important, exercise of control by an institution would subject it to insider trading restrictions and class actions and derivative suits by shareholders of controlled portfolio companies in search of a deep pocket when things fall apart.

Nor, if things go badly, is legal action by the institution's own shareholders an unlikely possibility. In bankruptcy or reorganisation proceedings for a controlled company, any debt held by an institution in the company would probably be subordinated to debt held by other creditors. Even communication among institutional shareholders to influence their voting or portfolio company shares is impeded by the Securities and Exchange Commission's proxy regulations.

Although some improvements could be made quickly (for example, in the SEC's proxy regulations), most of these restrictions reflect deeply embedded characteristics of US law that are not likely to change drastically.

In short, it seems unlikely that US institutions can take the place of the takeover market. They probably will continue to tender shares and, to a lesser extent, vote against management in the pursuit of sharply defined short-term gains. But the leadership to provide these gains will have to come from elsewhere. For the past 25 years or so, the entrepreneurs of the takeover boom provided that leadership, good or bad.

Besides the matter of whether institutions in the US can exercise control, there is another highly important unanswered question: how do we know whether control by institutional investors would be an improvement over the present management-dominated system of corporate control?

It appears that when it comes to the issue of control by institutional investors, financial journalists, lawyers and economists – who are normally sceptical about the many manifestations of incompetence and conflict of interest in management dominated companies, particularly takeover targets – believe in miracles.

But how can we be sure that institutional investors can solve their own management problems? Japan and Germany are commonly used as examples of big successes that the US (and UK) might emulate in this regard. In Japan and Germany, the large banks can and do own stock and exercise control over companies. Both countries have achieved a high degree of success in international markets.

None the less, are we sure that they have solved their management problems? If so, do we know how they do it and for how long their success will continue? Common sense counsels caution here. Institutions have their own problems of incompetence and conflict of interest. Bureaucracy is a very old, insidious example. Furthermore, there are constituency pressures on institutions: political, social and religious goals that are quite unrelated to, and often inconsistent with, optimum economic performance.

In Britain, a pending suit brought by the Bishop of Oxford against the Church Commissioners of the Church of England provides a fascinating illustration of this issue. The purpose of the Bishop's suit is to require the Church Commissioners to invest the large Church portfolio more closely in accordance with the moral and religious beliefs of the Church.

We have very little knowledge of how and to what extent these problems are controlled in Japan and Germany. Maybe the US system is working tremendously well under our circumstances and if we try to substitute systems like the Japanese or German, we might do much worse. At the moment, there is no way to be sure. Before becoming supporters of an institutional control solution to the problems of corporate governance, we should be more certain about the answers to these key questions.

One final consolation and caution about comparisons with other countries: free markets are robust. In free markets, even quite bad legal rules sometimes can produce reasonably good results. But not always: the savings and loan industry disaster in the US is a potent counter example.

The author is a partner in the Chicago office of Mayer, Brown & Platt, and co-author of Bidders and Targets – Mergers and Acquisitions in the US, published by Blackwell in September.

TECHNOLOGY

A cheap, cheerful house

THE PRE-FABRICATED house is usually viewed as a hangover from the post-war years. But the housing shortages in the UK have persuaded a London-based company to design steel-framed houses which can be erected easily on site.

The homes, developed in conjunction with Loughborough University, can provide housing for a family of four – albeit with limited space – for less than £20,000. Included in the price is a fully-fitted kitchen and bathroom, furniture, a television set and even a door mat. Single and double units are also available.

The company, Oaklodge, believes its supportive housing units (SHUs) will find an immediate market with local authorities, particularly those which have spare land where the housing could be sited – temporarily or permanently.

Oaklodge chairman James Wright says the SHUs could be fixed permanently to the ground to make them suitable for the private housing market. "They can be purchased for mortgage repayments of under £50 a week," he says.

They could also be used as granny annexes, student hostels or holiday accommodation. Oaklodge is also planning to develop "flat-pack" homes as a rapid replacement for tents in disaster areas, and also developing a multi-storey "stackable" version for restricted sites.

In spite of the badly-built image of most prefabricated buildings, Wright points out that his have been specially designed to conform to the latest British building regulations introduced in April this year.

Much has been done to make them aesthetically pleasing. They have a sloped slate roof, a coloured steel frame and walls made of the type of cladding now being used to smarten up many council tower blocks built in the 1960s.

If the houses prove popular they could also benefit the ailing shipping industry – Swan Hunter Shipbuilders on Tyneside and the Yarrow yards in Glasgow are already building the prototype SHUs.

Della Bradshaw

A veteran workhorse keeps pace

Lynton McLain examines efforts by the steel industry to fight off competition from new materials

In recent years new materials have led an attack on the dominance of metals, but the strength, price and recyclability of steel, the most widely used metal, are earning it a rising share in several markets. Recognising this renaissance, alternative materials are launching a counter-attack to prove their superiority over this veteran workhorse.

Steel's successes include construction, drinks and the automotive industry. The metal has adapted to changing requirements from traditional users to maintain sales in the face of a challenge from alternative materials.

These include lightweight composites that have made inroads into markets for metals. Composites offer high strength, low weight and corrosion resistance.

In aerospace, for example they are winning an increasing market share. The profit achieved from the conversion of simple raw material, such as aluminium, into a complex and high-value structure enables the industry to absorb costly research. Carbon fibre is even more effective.

Glass fibre reinforced plastics are competing for a bigger share of the automotive and general engineering markets. Lotus has shown that sports car bodies can be strong, light and safe in reinforced plastic.

Aluminium is also making a stronger push, despite its high cost. While it is half the weight of steel, the traditional material for car bodies, it is four times the price. Nevertheless, Alcoa, the world's biggest aluminium company, has launched a $250m (£127m) aluminium intensive vehicle project and will set up a plant in Europe to make parts for car makers. Alcoa has addressed the cost problem by cutting the number of parts by half from those needed for a steel body and by using extrusions and castings.

The inertia of most car makers to move away from steel has been sustained because steel can be so easily and effectively treated with corrosion resistant coatings. Coatings can enhance the properties of steel in other ways too, improving its resistance to noise and to scratching and chipping by small stones.

Coatings for steel include zinc and organic materials, such as plastics with applications in the automotive, domestic appliance, engineering and construction sectors.

Terry Goodwin, the principal research officer in the coated products technology department at British Steel's laboratories in Port Talbot, Wales, says increasing use of coated steels has come from sophisticated applications, such as satellite dishes exposed to the weather.

Zinc-coated steel received its boost in the car industry. A US requirement for higher safety and quality standards and competition from Japan, where cars are protected by zinc coated steel, spurred greater use of this galvanised steel. British Steel says "the move from plain mild steel for car bodies to zinc coated steel is the biggest change in the car market over the past decade."

British Steel has invested £150m at Shotton, Clwyd in the first plant in Europe able to coat 1m tonnes of steel a year, in anticipation of demand for coated steel in domestic appliances, cars and construction. Steel for the underbodies of cars is coated by dipping the metal in molten zinc. To meet demand, British Steel is building a new plant at Llanwern, South Wales.

Similar developments are under way elsewhere in Europe. Usinor Sacilor of France and Thyssen of Germany have built plant to coat steel with zinc as corrosion resistance becomes a selling point for car makers. Audi, as well as its aluminium project, is working towards a 100 per cent zinc steel car.

In Japan, Kobe Steel, the smallest of the country's big five steelmakers, has invested in new capacity to galvanise steel, with a Y16bn investment to meet demand for coated steel from the car industry.

The rapid deployment of information technology systems created a surprising new market for zinc-coated steel. Purpose-built offices with screen-based computers have raised floors for computer wires. The floor is supported on coated steel sections.

In the construction industry, steel also seen a renaissance, attributed to a one third drop in the price of structural steel in the UK in real terms in the 1980s, caused by rising productivity from new plant for continuous casting of steel, for example, on Teesside. The price of concrete products in the UK stayed broadly in line with inflation over the same period.

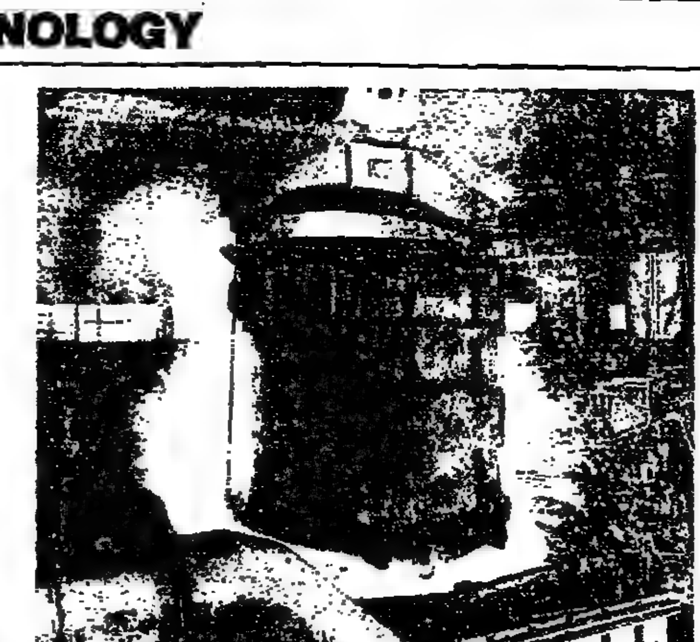
In the quarter century before 1980, only five major steel framed buildings were constructed in London. Since 1980, more than 50 buildings in London have been constructed using steel.

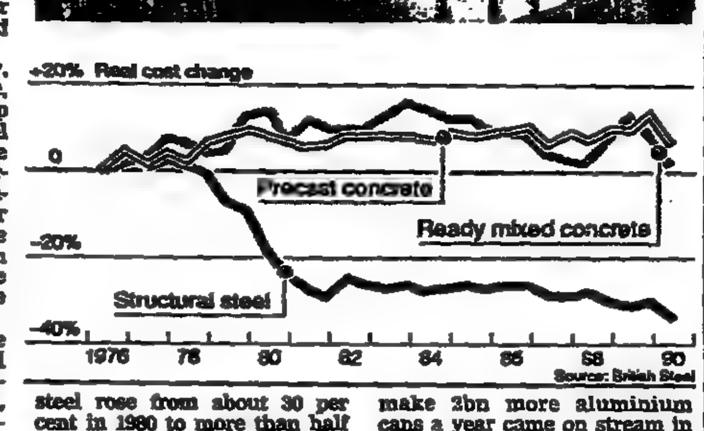
"Before 1980, the UK had virtually abandoned the use of steel frames because of the high cost of fire protection," according to Robert Latter, the marketing manager for structural steel at British Steel, Teesside. Steel starts to bend at about 650 deg C. It is a fire risk unless the bare steel is insulated from heat.

The solution was to encase steel in concrete, but new insulating techniques, involving special paints that froth and bubble when heated to provide a barrier to insulate the steel, have simplified safety. These "intumescent" paints have more than trebled to 10 per cent their share of the fire protection of steel buildings in the nine years to 1990.

The use of mineral fibre insulation has also increased threefold, to 30 per cent of the market, while concrete encasement has plummeted from 30 per cent in 1981 to just 5 per cent of buildings this year.

The market share held by steel rose from about 30 per cent in 1980 to more than half for all new buildings over one storey, and to 59 per cent of buildings of six or more storeys.





After two decades when steel was not competing with concrete, steel producers had faced "a generation of architects, designers and specifiers who had come to regard concrete as their automatic first choice," BS says. A similar problem elsewhere in Europe led to the creation of the European Steel Design Education Programme, financed by European steel beam producers and the European Commission.

Another steel success has been the development of ultra thin steel sheet, which reduced the weight of a soft drinks can from 59.5 grams in 1968 to 28.7 grams this year.

It would not have been possible to produce this ultra thin sheet 10 years ago, but the technology has increased steel's share of the market from 49 to 59 per cent between 1984 and 1989.

However, aluminium has fought back and capacity to make 2bn more aluminium cans a year came on stream in the UK in the year to mid-June, pushing steel's share of the drinks can market down to 45 per cent.

Most steel drinks cans are made of three different metals: steel, tin and an aluminium top. The top is lost in the melting process. To counter this, trials have taken place in the Netherlands into an all-steel drinks can developed by the Dutch steel producer, Hoogovens, in partnership with British Steel and Rasselstein of Germany, as a rival to steel cans with tops of aluminium. AMG of Hartlepool shreds steel cans with aluminium tops, so each metal can be separated and recovered.

The Bavaria Drinks company at Lieshout is to make all-steel cans using 50m steel tops from a pilot plant set up by the three steel producers at the Rasselstein plant in Germany. Steel has the largest share of the drinks cans market in the Netherlands and in Germany, where producers are under pressure to make cans that are entirely recyclable.

Robots with an eye on the ball

A one-eyed robot that overturns conventional wisdom about how machines can run automated factories has been developed at Cambridge University.

The new approach eliminates the high precision engineering responsible for the costliness of conventional robot and vision systems, which can be priced at more than £130,000. The Cambridge engineers claim their robot would cost between a fifth and a quarter of a conventional system.

David Wolfe, who developed the robot and vision system with Bob Richards and Sardha Wijesoma at the department of engineering, says that their radical approach "ignored the machinery and made a robot act like a human being".

The design enabled robot "eyes" to see precisely what a robot "arm" is doing, right down to its "fingertips," something that is difficult with other robots.

Conventional robots can be used for picking and placing objects automatically. But their accuracy depends on expensive, precise motors and parts, heavy construction and a precise knowledge of arm lengths and their bending positions. This precision is limited by the separation of the robot eye, usually a camera, from the robot arms and by wear on the high precision parts.

Traditional robot and vision systems are like "a blind but mobile person, the robot, and a sighted but immobile person, the camera, which have to exchange instructions to handle a task", says Wolfe.

The separation of the robot from its "eyes" meant that each had to be highly accurate. Each had to define where it was and where this position was in relation to the other, but cameras and lenses have optical distortions.

Typical applications for the systems include selecting chocolates off a conveyor belt for placing in a particular slot in a tray and picking components for final assembly. But it was no good the "eyes" seeing the Turkish delight on the chocolate production line, for example, but not knowing where it saw it.

This difficulty was compounded if the "eyes" did not know where robot arms and elbows were; the "eyes" would be unable to tell the robot how to move to pick up the Turkish delight. It might pick up a walnut crunch by mistake.

The problem is even worse if the "eyes" had difficulty communicating with the robot, leading to errors.

"Imagine two people talking to each other. The accuracy of interchange depends on how good I am at telling you something and how good you are at receiving what I tell you," Wolfe says.

The new approach eliminates the problems of the relationship between the "eyes" and the robot, by giving one of these sensors, the "eyes", or vision system, dominance over the robot. "With our approach, we are now looking at the fingertips, where the robot is, we are not concerned about the position of the robot elbow, as other systems are," Wolfe says.

The vision system and the robot are integrated. The "eyes" glance repeatedly at where the robot arm is moving every 20 thousandths of a second.

The camera looks down on the robot and chocolates to be picked. The Turkish delight is identified for the top left slot in the chocolate box, not the walnut crunch which belongs in the bottom right slot.

The "eye" identifies where the robot is and computers calculate the difference between where the robot is and where it should be to pick up the Turkish delight.

The system uses a single static camera to oversee the workspace and provide the information to position the robot. This moves until the camera sees it is in position; like a human arm stretching to pick up a glass, the eye watches until the arm reaches the glass.

The system uses a direct feedback of information from the camera to the vision identification and location system, and the robot tracking system. This compensates for errors in the equipment and and distortion problems.

The work was part of a research project on advanced assembly sponsored by the Science and Engineering Research Council, IBM and British Aerospace.

Lynton McLain

Britain's dairy sector may face chaos, minister warns

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S dairy sector could face chaos unless both the farmers' marketing boards and the processors agree to orderly but radical change, Mr John Gummer, agriculture minister, said yesterday.

The minister's remarks came as dairy companies, represented by the Dairy Trade Federation, announced their own proposals for reform. These appear diametrically opposed to the plans which the Milk Marketing Board for England and Wales is now discussing with the UK government and the European Commission.

Mr Andrew Dare, DTF president, said at the federation's annual lunch in London yesterday that the MMB's proposal voluntarily to give up its statutory monopoly to buy and sell milk would simply result in the creation of a voluntary monopoly.

Instead of the board's proposal that it became a single voluntary co-operative, the DTF wanted to see several regional co-operatives. The MMB would have to divest itself of its wholly owned company, Dairy Crest, while, after a two-year transition, the MMB itself could handle no more than 25 per cent of the raw milk produced by farmers.

Since the MMB refuses to give up Dairy Crest, which has about a quarter of the UK dairy product market, the DTF proposal seems barely to inch forward the long-running saga over Britain's milk marketing arrangements. As Mr Gummer said yesterday, they were devised nearly 60 years ago to cope with a market situation which had now totally changed.

The government has made no secret of its wish to see radical changes in the cartel-like arrangements, under which the MMBs buy all milk and sell it on to DTF members at agreed prices. It has so far baulked at imposing a solution.

Mr Gummer said yesterday that governments were not good at producing blue prints and he was still hopeful that the two sides could agree on reform.

The DTF's proposal was submitted to the EC Commission ten days ago – and was ceremoniously presented to the MMB's chairman, Mr Bob Steven, at yesterday's lunch.

The MMB has not published its plans, since it has so far not been able to get the official guarantees it seeks for its voluntary status. It would like, for example, to retain the right to buy some 80 per cent of all milk produced, and to tie farmers in to selling that milk for at least three years. The DTF believes that this would be contrary to European competition law.

Mr Steven said earlier this week that he still hopes to publish proposals and present them to farmers before Christmas. If farmers were to vote against change, in theory the present cartel-like arrangements could continue, but Mr Gummer said yesterday that he had no intention of legislating for "cosmetic change" in the industry. It was simply not good enough to "patch up" the present scheme.

Nigerians to insist on joint oil agreements

by William Keeling in Lagos

THE NIGERIAN National Petroleum Corporation (NNPC) is to insist on joint operating agreements with all foreign oil companies presently lifting crude oil in Nigeria.

An NNPC spokesman said an agreement had already been signed with Mobil Producing (Nigeria) and that talks were under way with six other companies.

Analysts believe the move by NNPC, which by law owns 60 per cent of all joint ventures in the country, will be of immense concern to foreign oil companies.

NNPC's decision comes 10 months after the appointment of Professor Jubril Aminu as minister of petroleum resources. In a recent interview, Prof Aminu accepted that a move towards joint operating agreements would be a form of creeping nationalisation.

Announcing that the first joint operating agreement had indeed been signed, the NNPC spokesman said: "No partner should see itself as the perpetual operator of the venture." Many analysts doubt whether NNPC has yet acquired the technical and managerial expertise needed to operate a joint venture.

In June, Dr T.M. John, managing director of NNPC, said: "There is too much waste in NNPC . . . We replace rather than maintain.

"We buy in excess of our requirements, at prices higher than commercial averages and from sources with capabilities lower than commercial standards. Worst of all, we buy without regard for specification or the consequences for the integrity of our plants and operations."

The NNPC spokesman stressed that it was currently satisfied with the oil companies and that it would not consider enforcing its rights under any joint operating agreement in the immediate future.

Nevertheless, analysts believe the decision will alarm many of the foreign companies, particularly those which have recently made large-scale investments in Nigeria.

Last year NNPC reduced its stake in the NNPC-Shell joint venture from 80 per cent to 60 per cent. Shell used the opportunity to increase its equity to 30 per cent at the cost of $1bn. The remaining 10 per cent was split equally between Elf and Agip, which each invested $500m.

If the three companies sign a joint operating agreement with NNPC, Shell could be in danger of losing its operating rights.

World oil supplies 'larger than expected'

By Steven Butler in Paris

WORLD oil supplies are expected to be more plentiful than had been expected, the International Energy Agency said yesterday.

This follows a faster than expected increase in oil production and slowing demand after the cut off of Iraqi and Kuwaiti oil exports.

The IEA warned, however, that the world oil supply system was working at full capacity and would be vulnerable to shocks. "If something happened there is no flexibilty in the supply system," said Mr Ulrich Engelmann, chairman of the IEA governing board.

He said IEA member countries had prepared emergency measures should oil supplies deteriorate. Such measures would reach maximum effect three weeks after a decision to use them.

Mrs Helga Steeg, IEA executive director, said she would convene an immediate emergency meeting should war break out in the Gulf, although any IEA action, such as a release of government oil stocks, would depend on how oil supplies were affected.

The IEA has lowered its fourth quarter demand estimates, compared to end-of-July estimates, by 1.2m barrels a day to 54.1m b/d, for countries outside the former socialist bloc, as a result of higher prices and slower economic economic growth.

Oil supply is expected to fall by only 300,000 b/d to 53.4m b/d. As a result, a worldwide reduction of stocks is expected to be 700,000 b/d, compared to an earlier estimated level of 1.6m b/d.

Year-on-year oil demand in the industrial countries is likely to fall by two per cent in the fourth quarter, 1.5 per cent in the first quarter of 1990, and 3 per cent in the second quarter. These projections assume crude oil prices at $30 a barrel.

Opec production is estimated at 22.6m b/d in September, and the IEA estimates this level will be maintained in the fourth quarter.

Opec set a production ceiling prior to Iraq's invasion of Kuwait, at 22.5m b/d, and thus nearly all Iraqi and Kuwaiti exports have been replaced from other sources.

Fourth quarter oil supplies would be very similiar to the fourth quarter of 1989.

The IEA projects what by historical standards is a modest stockdraw of 500,000 b/d in the first quarter of 1990, which would result in company stocks covering 69 days forward consumption in April 1. This is a similar level of coverage compared to recent years.

Mrs Steeg said the IEA would not be sending an technical expert next week to a UN-sponsored conference on co-operation between oil producers and consumers. However, she said the IEA might eventually participate in some form of producer-consumer dialogue.

Energy crisis underlines fragility

Judy Dempsey finds E Europe looking to Iraq and the Soviet Union

NATIONWIDE discontent with the Hungarian government's decision last week to raise petrol prices underlines the fragility of the new democracies in eastern Europe. But the protests are also a grim reminder to these governments that solutions to the energy crisis must be quickly found.

The energy crisis stems from two sources: shortfalls in supplies from the Soviet Union to the countries of eastern Europe, particularly over the past six months, and disruption in supplies from Iraq following the UN embargo. The collusion of these two factors have forced the countries of eastern Europe to seek alternative supplies of energy for next year and beyond.

Finding oil is not the problem. Paying for it in hard currency is. That is why over the past few weeks, several east European countries have been holding talks with Iran and the Soviet Union.

Early last month, Mr Marcin Swiecicki, Poland's minister for foreign economic co-operation, said that on his return from Iran, Poland would buy 500,000 tonnes of crude oil. In addition, he had received assurances that Poland could purchase between 2.5m and 3m tonnes of oil during 1991. He said the oil would be priced at between $33 and $35 a barrel but that Poland would pay for the crude oil with machines and equipment.

These supplies will only go a short way in compensating for the shortfall in Soviet supplies to Poland. This year, Poland was due to receive 15.1m tonnes from the Soviet Union, a reduction of 28 per cent on last year's deliveries. It was also due to receive 3.8m tonnes of oil from Iraq in lieu of Iraq's outstanding debts to Poland.

Czechoslovakia has been exploring the same avenue. Last month, following the visit by a delegation to Teheran, Prague radio reported that Czechoslovakia would consider a long-term agreement on the purchase of a "minimum quantity of 5m tonnes a year while Iran would in the meantime deliver 400,000 tonnes during the last quarter of this year". Like the Poles, the Czechoslovak side spoke about "exporting engineering products and investment complexes to secure the finance for future deliveries of Iranian oil".

The Soviet Union supplied 16.8m tonnes to Czechoslovakia in 1989 but reduced deliveries by 15 per cent in 1990.

The Bulgarian authorities have made similar overtures to Iran. It now looks certain that Bulgaria will receive 1m tonnes of oil after talks in Sofia earlier this week between Mr Issa Kalantaria, the Iranian agriculture minister, and the Bulgarian authorities. Payment will be arranged through a barter system whereby Bulgaria will supply industrial machinery to Iran.

Bulgaria imported 12.6m tonnes of oil from the Soviet Union in 1989. But deliveries in 1990 will be reduced by about 15 per cent. Iraq was due to deliver 2.6m tonnes this year to Bulgaria in part payment of its debts owed to Sofia.

Iran's willingness to supply oil to these countries on a barter system is partly explained by its need to rebuild its infrastructure following the Iran-Iraq War. Since the Soviet Union is demanding better quality goods from eastern Europe, who in turn cannot find markets for these goods in the west, Iran seems a suitable partner.

As Mr Stankovsky, a COMECON specialist at the Vienna Institute for Economic Forecasting, points out, even though Iran could easily sell its oil on the world markets, barter for both sides remains worthwhile. "The countries of eastern Europe have old connections in the Middle East. They were supplying vast supplies of weapons to these countries," he explained.

Last year, Poland earned more than $115m in arms sales to the Middle East. Throughout the 1980s, over 10 per cent of Bulgaria's and Czechoslovakia's hard currency exports were earned from arms sales. Since last year's revolutions, some armament factories in eastern Europe have been shut down, such as the tank factory in Martin, Slovakia. But the risk of high unemployment and sharp cuts in hard currency earnings could encourage some of these governments to seek new markets for their weapons industries. In any case, the additional oil supplies from Iran to eastern Europe will not compensate for the Soviet shortfalls, hence the flurry of visits by senior officials from eastern Europe to Moscow over the past month.

The talks focused on two topics: requests for more oil this year and in 1991; and how the switch from the transferable rouble to the dollar clearing system, which is due to take place on January 1, will be implemented. They have also yielded some results.

Bulgaria will now receive a total of 2m tonnes of oil for the last quarter of this year. Mr Andrei Lukanov, the Bulgarian Prime Minister, said this year's quotas would be met if the Bulgarians fulfilled their side of the bilateral annual agreement, which includes the export of food and engineering goods to the Soviet Union. Decisions on next year's quota have not yet been finalised.

In the case of Czechoslovakia, the Soviet Union earlier this week agreed to deliver 13m tonnes of oil to Czechoslovakia throughout 1991. Payment will be in the form of consumer goods, oil drilling equipment and hard currency. But given the Soviet Union's own energy shortages, the likelihood that energy supplies to Czechoslovakia (and other countries) will again be interrupted cannot be ruled out.

Hungary's deliveries from the Soviet Union remain erratic. September deliveries fell by 222,000 tonnes to 296,000 tonnes; October deliveries by 97,000 tonnes to 315,000 tonnes. Annual deliveries will fall by 1.4m tonnes to 5m tonnes. In the meantime, Hungary has purchased 900,000 tonnes on the world markets. In doing so, it was forced last week to raise the cost of petrol as a means of cutting subsidies and reducing consumption. As for Poland and Romania, the Soviet Union has yet to agree on what amounts of oil will be for the remaining part of this year and for 1991.

Mr Stankovsky points out that these agreements amount to "a holding operation". Next year, he says, there will be even a worse crisis, particularly since the Soviet Union will insist that all trade in eastern Europe must be carried out in hard currency.

"There are a few possibilities," he adds. "The European Community and the IMF must help these countries so that they can purchase oil on the world markets.

"In the meantime, the high and wasteful consumption of energy by these countries will have to be reduced. But it is the transitional period to the market economy, a move made difficult by the Soviet Union's unreliability as an oil supplier and the switchover to hard currency, which could undermine these new democracies," he says.

Hungary's attempts to square the circle last week confirmed the vulnerability of these governments in making that difficult transition.

Outokumpu to build $300m copper smelter in Portugal

By Kenneth Gooding, Mining Correspondent

OUTOKUMPU, the state-owned Finnish group, has signed a preliminary agreement to build a US$300m copper smelter in southern Portugal.

If final details are cleared, construction would start next year and the smelter is scheduled to be operating from 1994. It would produce an annual 200,000 tonnes of anode copper.

It will process copper concentrate mainly from the Neves-Corvo mine in southern Portugal, the biggest of its kind in Europe, which was brought into production at the beginning of last year.

Neves-Corvo produces an annual 135,000 tonnes of copper in concentrate. It has long-term contracts with several international companies but these contain escape clauses should a copper smelter be built in Portugal. In that case Neves-Corvo is obliged to supply it with about half the mine's output.

The smelter will create direct employment for 400 people, add about $100m a year to the value of the Neves-Corvo copper and boost Portugal's export earnings. It also might lead to construction of a copper refinery.

Outokumpu said yesterday it will take a majority interest in the company being set up for the smelter project – Metcob (Metalurgia do Cobra) – and will manage the project which will use the Finnish group's flash smelting technology.

At least seven Portuguese partners will be involved, including IPE (Investimentos e Participacoes do Estado) and some companies representing the local downstream copper industry.

EDM (Empresa de Desenvolvimento de Minerio), the state-owned Portuguese minerals group which owns 51 per cent of Neves-Corvo, has indicated it wants to take a "significant" equity stake in the smelter project.

Chicago signs Moscow accord

by Barbara Durr in Chicago

CHICAGO'S two main commodity futures exchanges signed a co-operation agreement today with the Moscow Commodities Exchange which was recently launched to facilitate trade in a variety of goods.

Under the accord, the Chicago Board of Trade and the Chicago Mercantile Exchange, the world's two largest commodity futures markets, will conduct regular educational and research visits on both the cash and futures markets with the Soviets.

A similar agreement will be signed tomorrow with the State Commission of the USSR Council of Ministers on Food and Procurement.

Mr Leo Melamed, chairman of the CME's executive committee, called the accord "a momentous step" towards a free economy. "While the process of moving from a controlled economy and fixed exchange rates to a free economy based on supply and demand is difficult, and will take a protracted period of time, the contributions of commodity markets towards this process will be significant," he said.

The agreement was the culmination of months of talks and it is hoped it will mark the beginning of a new era of co-operation between the two main Chicago exchanges on foreign matters.

A similar agreement was signed earlier this week with the Budapest Commodities Exchange, which was founded last year.

WORLD COMMODITIES PRICES

MARKET REPORT

Platinum was fixed at the highest level for three weeks on the London bullion market at $440.50 a troy ounce following the sharp rise in New York overnight. The rise was encouraged by higher gold prices and lower oil prices. "Selling was overdone late last week and that made some shorts run for cover," one dealer said. But the metal met resistance at that level, and by midday in New York was only just managing to hold on to small gains. Gold rallied in London after overnight strength on market perceptions that tension remained high in the Gulf. On the LME copper closed ahead after rallying in the morning on fairly strong Far Eastern buying which led some traders to believe fresh speculative interest may have developed. However, there was no subsequent follow-through. Nickel was in retreat again, with the market under pressure from sporadic commission house selling in the absence of any fresh bullish factors. A breach of the $8,300 level would indicate another test of the four-month low of $8,075 a tonne reached three weeks ago, analysts said. London cocoa came under pressure, but trade buying prevented the March position breaking through its new contract low of £674 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$30.15-0.25y	-0.60
Brent Blend (dated)	$34.95-5.05	-0.75
Brent Blend (December)	$34.00-4.10	-0.70
W.T.I. (1 pm est)	$34.60-4.65y	-0.75
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$348-363	-15
Gas Oil	$310-311	-11
Heavy Fuel Oil	$129-130	-6.5
Naphtha	$315-317	-90
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$379.25	+4.25
Silver (per troy oz)♣	422c	+5.00
Platinum (per troy oz)	$440.50	+90.8
Palladium (per troy oz)	$96.75	+0.75
Aluminium (free market)	$1940	+35
Copper (US Producer)	122⅞c	+2
Lead (US Producer)	50c	
Nickel (free market)	402c	-13
Tin (Kuala Lumpur market)	16.35r	
Tin (New York)	293c	+6
Zinc (US Prime Western)	70c	
Cattle (live weight)†	102.44p	+1.69*
Sheep (dead weight)†	144.00p	+16.1*
Pigs (live weight)†	70.70p	+0.81*
London daily sugar (raw)	$249.6q	+2.60
London daily sugar (white)	$308.0q	
Tate and Lyle export price	£236.50	+2.00
Barley (English feed)	£118.25v	
Maize (US No. 3 yellow)	£158.00	
Wheat (US Dark Northern)	£97	
Rubber (Dec)♥	50.75p	+0.25
Rubber (Jan)♥	51.00p	+0.25
Rubber (KL RSS No 1 Nov)	238.5m	+0.50
Coconut oil (Philippines)§	$300.0w	-10
Palm Oil (Malaysian)§	$300.0v	-2.5
Copra (Philippines)§	$212.5t	
Soyabeans (US)	£138	+1.0
Cotton "A" index	83.05c	-0.15
Wooltops (64s Super)	407p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Dec/Jan z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	218.00	218.00	217.00	
Mar	211.40	213.00	215.20	211.00
May	212.40	213.60	215.20	212.00
Aug	215.60	216.00	217.00	214.60
Oct	215.60	216.20	217.00	215.20
White	**Close**	**Previous**	**High/Low**	
Dec	298.5	303.0	303.0	297.0
Mar	296.0	298.5	299.5	293.5
May	295.5	297.7	296.0	292.7
Aug	299.5	302.5	301.0	298.7
Oct	283.6	287.0	284.0	281.0
Dec	280.5	284.0	281.0	277.5
Mar	280.0	285.5	280.5	277.5

Turnover: Raw 1381 (1525) lots of 50 tonnes. White 805 (2380)
Paris- White (FFr per tonne): Dec 1526 Mar 1518, May 1515, Aug 1547, Oct 1465

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Dec	33.60	34.59	34.16	33.10
Jan	32.30	33.10	32.90	31.90
Feb	30.85	32.00	31.30	30.80
Mar	29.50		29.50	
IPE Index	34.73	30.69		

Turnover: 10106 (6210)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low	
Nov	295.00	305.50	302.00	290.25
Dec	286.00	298.00	292.00	281.50
Jan	276.75	287.00	283.00	272.50
Feb	261.25	273.50	264.00	261.25
Mar	246.00	260.00	252.00	246.00
Apr	234.00	248.50	241.00	234.00
May	230.00	239.50	232.50	230.00

Turnover 10073 (10102) lots of 100 tonnes

WOOL

The New Zealand Wool Board lowered its market support levels at the end of last week. As a result of this move, the British Wool Marketing Board also lowered its support levels at the Bradford auction on October 31. This proved something of a non-event, with buyers inevitably unwilling to operate. The world glut of wool therefore persists, and trade is petrified by the fear of further stock losses due to official marketing decisions.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Dec	636	648	641	629
Mar	682	690	684	674
May	712	722	714	704
Jul	736	742	740	729
Sep	759	763	758	752
Dec	784	791	785	780
Mar	806	819	811	807

Turnover: 9438 (8144) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 30 875.12 (895.51) 10 day average for Oct 31 896.55 (897.54)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low	
Nov	582	568	571	551
Jan	576	567	580	574
Mar	583	575	570	565
May	576	584	587	578
Jul	595	600	604	602
Sep	615	618	622	619

Turnover: 6948 (4655) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 30: Comp. daily 73.09 (73.12). 15 day average 73.66 (73.81)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low	
Nov	60.0	70.0	66.0	62.0
Apr	143.5	143.0	144.5	143.0
May	162.5	161.5	162.5	162.0

Turnover 146 (120) lots of 40 tonnes.

SOYAMEAL – HI-PRO (£/tonne)

	Close	Previous	High/Low	
Feb	121.50	122.00	121.50	
Apr	124.00		124.00	
Jun	123.00	123.00	123.50	123.00
Aug	124.00		124.00	

Turnover 257 (1255) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low	
Nov	1283	1273	1291	1284
Jan	1251	1240	1260	1246
Apr	1210	1190	1215	1210
Jul	1055	1065	1075	1065
BFI	1309	1309		

Turnover 74 (186)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	114.60	114.45	114.75	
Jan	119.10	118.70	119.10	118.90
Mar	122.95	122.50	123.00	122.70
May	126.40	126.00	126.40	126.25
Jun	127.90		127.90	
Barley	**Close**	**Previous**	**High/Low**	
Nov	113.75	113.40	113.75	
Jan	117.40	117.35	117.40	
Mar	120.50		120.50	

Turnover: Wheat 371 (71), Barley 30 (79).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	195.5		195.0
Jan	192.0		191.5
Feb	192.5	92.8	192.0

Turnover 30 (33) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 17,083 lots	
Cash	1948-50	1890-900	1950/1940	1940-2		
3 months	1752-3	1741-6	1772/1745	1759-60	1757-8	71,125 lots
Copper, Grade A (£ per tonne)					Total daily turnover 27,711 lots	
Cash	1363-5	1348-50	1367/1364	1365-7		
3 months	1350-1	1339-40	1363/1343	1352-3	1350-1	111,062 lots
Lead (£ per tonne)					Total daily turnover 1,015 lots	
Cash	372-3	372-4		372.5-3		
3 months	375-5.5	375.5-6	377/374	374.5-375	375-6	10,795 lots
Nickel ($ per tonne)					Total daily turnover 1,610 lots	
Cash	8650-700	8625-75	8675	8650-700		
3 months	8300-25	8450-75	8350/8300	8300-25	8300-25	7,744 lots
Tin ($ per tonne)					Total daily turnover 1,802 lots	
Cash	6320-40	6195-205		6270-80		
3 months	6280-300	6190-200	6310/6200	6270-5	6300-20	8,891 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,442 lots	
Cash	1295-7	1298-300		1286-90		
3 months	1293-5	1297-8	1301/1288	1288-9	1301-2	18,973 lots

LME Closing £/$ rate:
SPOT: 1.9455 3 months: 1.9193 6 months: 1.9024 9 months: 1.8844

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	379-379½	194¼-195¼
Opening	378½-379	194¼-194¾
Morning fix	379.25	195.208
Afternoon fix	379.50	194.945
Day's high	382-382½	
Day's low	376¼-377¼	

Coins	$ price	£ equivalent
Mapleleaf	388½-393½	200-203
Britannia	388½-393½	200-203
US Eagle	388½-393½	200-203
Angel	388½-393½	200-203
Krugerrand	378-381	194½-196½
New Sov.	90½-92½	46½-47½
Old Sov.	90½-92½	46½-47½
Noble Plat	445.75-452.85	229.40-233.10

Silver fix	p/fine oz	US cts equiv
Spot	216.05	422.25
3 months	224.45	430.95
6 months	231.05	439.15
12 months	243.65	455.80

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
550	38	73	13	10
600	14	41	39	28
650	4	21	79	68
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	44	65	8	34
700	16	41	30	60
750	4	26	68	95

Brent Crude	Dec	Jan	Dec	Jan
3000		510		240
3050				
3100				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	381.3	381.7	384.3	378.3
Jan	383.7	0	0	0
Feb	385.6	385.6	388.0	382.6
Apr	389.0	389.1	391.1	387.6
Jun	392.8	393.0	394.5	392.4
Aug	396.8	396.8	399.0	398.5
Oct	400.8	400.8	398.5	396.5
Dec	404.8	404.8	405.5	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	435.0	0	435.0	435.0
Jan	439.0	437.0	443.5	433.5
Apr	443.0	442.0	446.5	439.5
Jul	447.5	447.2	452.4	445.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	415.3	421.7	421.0	421.0
Dec	418.0	424.5	428.0	417.5
Jan	420.0	426.5	0	0
Mar	427.2	433.6	437.5	427.0
May	433.1	439.6	440.0	432.5
Jul	439.1	445.6	448.1	439.5
Sep	445.4	451.7	0	0
Dec	454.1	460.4	462.9	454.6
Jan	456.7	463.0	0	0
Mar	463.3	469.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	117.25	117.55	119.30	117.00
Dec	115.75	115.65	117.60	115.50
Jan	113.55	113.20	115.00	113.90
Mar	110.60	110.30	112.00	110.50
Apr	109.60	109.35	0	0
May	108.60	108.40	109.50	108.60
Jun	107.80	107.60	108.20	0
Jul	106.90	106.70	0	0
Aug	106.20	100.00	0	0
Sep	105.50	105.30	106.00	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	34.00	34.54	34.78	33.40
Jan	32.66	33.30	33.57	32.30
Feb	31.30	31.80	32.00	30.85
Mar	30.15	30.65	30.70	29.85
Jun	27.80	27.62	27.80	26.85
Jul	26.98	26.91	27.35	26.10
Aug	26.35	26.32	26.35	25.80

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	8790	9117	9000	8740
Dec	8945	9174	9075	8850
Jan	8930	9131	9060	8840
Feb	8810	8947	8850	8660
Mar	8420	8547	8425	8250
Apr	8050	8162	8050	7900
Jun	7450	7642	7450	7450
Aug	7290	7577	7290	7290

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1153	1146	1156	1125
Mar	1213	1210	1215	1191
May	1254	1250	1258	1232
Jul	1290	1285	1295	1270
Sep	1322	1315	1356	1314
Dec	1360	1363	1360	0
Mar	1396	1398	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	90.50	92.35	92.50	90.40
Mar	94.10	95.80	95.80	94.10
May	96.45	97.95	98.05	96.40
Jul	98.45	99.75	99.80	98.40
Sep	100.50	102.00	101.50	100.50
Dec	103.15	104.00	0	0
Mar	105.25	105.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.42	9.47	9.60	9.41
May	9.47	9.52	9.63	9.46
Jul	9.52	9.57	9.65	9.52
Oct	9.50	9.61	9.67	9.49
Mar	9.61	9.71	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	75.10	74.92	75.70	74.92
Mar	75.10	74.97	75.60	74.92
May	75.25	75.04	75.65	75.16
Jul	75.30	74.90	75.65	75.20
Mar	67.50	67.25	67.35	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.25	116.10	116.50	113.50
Jan	112.20	112.15	113.00	111.50
Mar	112.90	112.65	113.80	112.00
May	113.00	112.65	114.00	112.75
Jul	113.10	112.90	113.25	113.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 31	Oct 30	mnth ago	yr ago
1724.3	1717.8	1767.2	1868.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 30	Oct 29	mnth ago	yr ago
Spot	125.35	125.50	126.64	129.64
Futures	128.23	127.90	130.50	129.83

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	592/0	590/4	594/4	589/0
Jan	609/2	607/6	612/0	606/2
Mar	624/4	622/2	627/0	621/0
May	636/2	635/0	639/0	634/0
Jul	646/2	644/2	648/4	644/0
Aug	645/4	643/6	647/4	643/4
Sep	622/0	622/0	625/4	622/0
Nov	616/2	615/2	618/0	612/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.78	21.80	22.02	21.73
Jan	22.08	22.12	22.29	22.02
Mar	22.53	22.56	22.75	22.46
May	22.94	22.91	23.15	22.88
Jul	23.18	23.15	23.40	23.10
Aug	23.14	23.11	23.35	23.10
Sep	23.05	23.05	23.20	22.98
Oct	22.70	22.77	22.98	22.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	178.2	177.7	178.8	177.1
Jan	180.5	180.0	181.1	179.5
Mar	185.1	184.1	185.5	183.7
May	187.4	186.4	187.5	186.4
Jul	189.6	189.0	190.0	188.8
Aug	189.5	188.6	190.2	189.0
Sep	187.4	186.8	189.0	186.5
Oct	184.4	184.0	184.4	183.7

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	229/2	231/0	232/0	229/0
Mar	239/2	240/2	241/4	238/6
May	245/4	247/0	248/0	245/2
Jul	250/0	251/4	252/4	249/4
Sep	248/6	248/4	250/4	248/0
Dec	248/6	248/4	250/0	248/2
Mar	254/4	255/0	254/4	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	262/0	264/2	265/0	261/4
Mar	276/4	278/4	279/0	276/0
May	285/2	286/0	286/0	283/0
Jul	288/4	289/2	290/0	287/6
Sep	294/0	295/2	0	0
Dec	305/0	305/0	306/0	305/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.45	77.05	77.55	77.12
Feb	74.90	74.46	75.00	74.55
Apr	75.22	75.02	75.45	75.15
Jun	73.10	72.85	73.27	72.95
Aug	71.52	71.35	71.87	71.52
Oct	71.65	71.62	71.97	71.65
Dec	72.27	72.17	72.35	72.17

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	51.77	51.42	52.07	51.60
Feb	49.95	49.55	50.15	49.70
Apr	47.07	46.75	47.27	46.90
Jun	50.77	50.50	51.30	50.65
Jul	51.30	50.95	51.35	50.60
Aug	49.50	49.25	49.50	49.35
Oct	44.70	44.77	44.80	44.70
Dec	44.72	44.75	44.80	44.70

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	61.25	60.30	61.45	60.60
Mar	60.65	59.95	61.00	60.30
May	60.67	59.90	61.00	60.20
Jul	59.80	59.05	60.05	59.75
Aug	57.70	56.90	58.00	57.70

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LONDON STOCK EXCHANGE

Money markets determine the pace

A SUDDEN wave of speculation regarding a further cut in domestic interest rates overshadowed other factors in the UK stock market yesterday. Share prices rose sharply at mid-morning, adding 28 points to the FT-SE Index after the London money markets and the London International Financial Futures Exchange signalled expectations that UK base rates might be cut by a further half to one point.

Hopes were soon dashed, however, when the Bank of England made no such move at midday. After holding steady for a while, prices came back from their best levels towards the close of business. The FT-SE ended with a gain on the day of 16.4 at 2,050.3.

The stock market had been predicting another downward move in domestic interest rates before the end of the year, but yesterday's speculation originated in the money markets and surprised equity strategists, who do not expect a further move so soon after the one-point cut announced on October 5. Some even suggested that yesterday's move might be "kite flying" by the authorities wanting to see how sterling would react to a further reduction in UK rates.

Traders reported some increase in equity activity yesterday, although the rise in Seaq trade to 468.5m shares from Tuesday's 384.7m was largely accounted for by a couple of specific trades: a 31m share stake in Clyde Petroleum, an independent oil company, was placed with institutions by DSM of Holland, and 3m shares in Carlton Communications moved from one institution to another, both transactions being double-counted on the Seaq list.

There was little sign of any increased selling into the unexpectedly firm equity market. Marketmakers' trading books remained weighted towards the buy side, albeit less markedly than earlier this week.

At Barclays de Zoete Wedd, Mr Bill Smith commented that the market's readiness to respond to the interest rate flurry indicated the measure of the fall in investor confidence in the face of the gloomy business opinion survey from the Confederation of British Industry, as well as the flow of adverse corporate developments of recent weeks. Yesterday brought a further sharp setback in Reuters stock as the global electronic data group reported workforce redundances and postponed the introduction of its new futures trading system.

As London share prices settled back from their best levels yesterday, ignoring both the fall in oil prices and the gain of 11 Dow points in New York during UK trading hours, analysts' views on the interest rate outlook appeared little changed. Mr John Reynolds of County NatWest, the UK investment bank which turned bullish on the London market several weeks ago, said there was "still a good chance of a rate cut before the end of the year", although he expects the UK authorities to wait for better news on domestic inflation to emerge.

In the wake of Britain's decision to enter the European exchange rate mechanism, the sterling exchange rate has assumed even greater significance for the UK authorities when considering interest rate policies.

Some analysts believe that another early cut in UK base rates might be regarded by other ERM members as being too politically motivated. In this respect, yesterday's cut in rates in France was regarded by London strategists as helpful for any UK Government hopes of trimming domestic interest rates.

Account Dealing Dates		
*First Dealings:		
Oct 22	Nov 5	Nov 19
Option Declarations:		
Nov 1	Nov 15	Dec 6
Last Dealings:		
Nov 2	Nov 16	Dec 7
Account Day:		
Nov 12	Nov 26	Dec 17

*New-time dealings may take place from 9.30 am two business days earlier.

Reuters near two year low

REUTERS was sharply lower for the second day running as the company announced a further delay in the launch of its Dealing 2000-2 futures trading system. The launch has been deferred for at least six months to the summer of 1991 at the earliest. Analysts responded to the news by cutting forecasts for next year's profits. The new range is £340m to £360m, some £40m down on previous estimates.

Sentiment was more mixed. Mr Patrick Wellington at County NatWest WoodMac warned investors off the shares: "It is the wrong sort of stock for these markets; it is still on a premium rating." Taking a more positive view, Mr Bob Pringle at Hoare Govett said the long-term investor "should be picking up the stock".

Reuters dropped 44 to 583p, the lowest level for almost two years. Turnover was an exceptionally heavy 9½m. The shares were above £13 in midsummer, and the decline has taken the dividend yield relative to the market to its highest for almost three years. Some analysts yesterday argued that yield considerations indicate a buy.

M & S brighter

Relief that Marks and Spencer, the UK clothing and food retailer, did not warn of slower sales growth on announcing its interim results pushed the shares 6 better to 235p. The stock fell by 4 per cent last week on speculation about weaker current trading.

In the event, Lord Rayner, the chairman, made an upbeat statement. The 10 per cent rise in first-half profits to £230.3m was in line with most analysts' expectations, and turnover in the shares swelled to 7.1m.

However, slower clothing sales in the second half is expected to depress profits growth slightly. S.G. Warburg lowered its estimate by £10m to £660m for the current full year, while Hoare Govett now expects £645m against £655m. Williams de Broe, on the other hand, raised its estimate to £665m from £655m.

BICC trembles

The market made a fresh appraisal of BICC, the cable manufacturer and construction company, and the shares fell again following a second round of profit estimate cuts.

BICC closed down 20 at 316p on a turnover of 2.8m after James Capel cut its estimate for 1990 by £23m to £185m and for 1991 by £45m to £170m – believed to be the lowest of all market estimates. Hoare Govett, broker to BICC, moved to £185m for 1990 and £175m for 1991. Cazenove was also said to have downgraded.

Capel analyst Mr Jim Ross said he was concerned about the company's cash flow as BICC had £290m in debts of one kind or another. The broker also reduced its figures on Delta, which has many similarities to BICC and which shed 16 to 278p.

Evode lower

Evode, the manufacturer of chemical products, dipped on fears that analysts would reign back profits expectations when they return from a visit to the group's US operations. There seems little doubt, said a trader, that the industrial slowdown on both sides of the Atlantic has caused some slippage in profits. He thought forecasts for the year just ended would be "edged back" to around £15m to £17m, with the more substantial reductions scheduled for the following year.

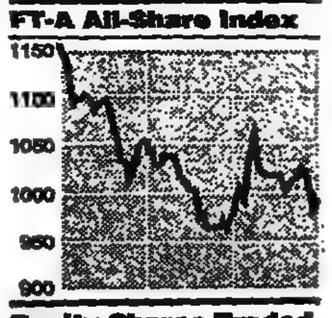
It is expected that any revision of the current numbers would still leave estimates above the £11.6m reported by Evode in 1989. However, some analysts have been cautioning recently on the company, regarding it as fairly highly geared if the US preference share issue to two American institutions is treated as debt. Evode shares closed at the 1990 low, showing a fall of 12 at 98p.

Walker stake

Contract wallcoverings group Walker Greenbank, at 55p, consolidated the sharp gain that resulted late on Tuesday from a market raid by a major shareholder. The Jersey-based Aubin group confirmed yesterday that it had purchased a further 8.1m shares and now owns 22.6 per cent of the Walker Greenbank equity.

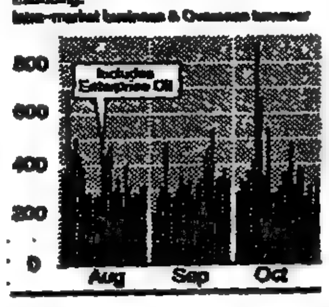
Earlier this year Walker used section 212 of the Companies Act to force nominee company Aubin and its associates to reveal the beneficial owners of their stake, then 13.5 per cent, in Walker. At the same time it appointed S.G. Warburg as its merchant bank adviser, apparently to help strengthen its defences against a possible hostile bid.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Allied Lyons advanced as Shearson Lehman published a 90-page buy recommendation on the stock. Mr John Wakely at Shearson argued the contribution to profits from the high margin spirits side at Allied was rising to 60 per cent, compared with 80 per cent at Guinness, which traded at a 25 per cent premium. He added that slower earnings growth at Allied was already discounted and that the total return in 1992 should rise to 20 per cent. Allied climbed 8 to 469p.

Other brewing sector issues with high overseas and spirits earnings also did well. Guinness added 14 at 707p and Grand Metropolitan rose 11 to 561p. Analysts said sentiment was helped by the excise duty rise of 14 per cent in this week's US budget – there had been fears the increase could have been up to double that.

Sterling's weakness and stories of a cut in interest rates helped international stocks. ICI improved 13 to 833p, SmithKline Beecham put on 8 to 582p and BAT Industries ended 12 to the good at 559p.

One exception was BTR, which fell quickly late in the day as the market anticipated at least three analysts' downgradings to be published today. One researcher blamed the cuts in profit forecasts on prospects for the company's Australian associate, BTR Nylex. BTR had firmed 7 in line with the market before losing 16 in the last 90 minutes of trade to end at 282p, down 9 on balance.

Midland advanced 12 to 189p as dealers speculated that it stood to gain most from any possible reduction in UK interest rates. Legal & General, believed to have been oversold, gained 8 to 457p. A revival of bid speculation among insurance brokers pushed Hogg up 7 to 153p and C.E. Heath ahead 10 to 424p.

Jackson Group continued to lose ground after Tuesday's warning of a depressed second-half performance, and the shares slipped 5 to 83p, a loss of 15 per cent since Monday.

Rolls-Royce eased 1½ to 171½p on a high turnover of 6.1m as brokers James Capel cut its profits forecast for 1990 by £5m to £280m and the 1991 figure by £40m to £310m. Analysts said they were expecting some weakening in spares demand and also a knock-on effect from strong sterling on unhedged sales.

Hawker Siddeley bounced 8 to 412p on a healthy 1.2m turnover that benefited from good two-way business and gentle institutional investment in the sector.

Tace, the control equipment company, picked up 15 to 204p in anticipation of bid developments. TI Group gained 5 to 409p as investors looked for quality stocks; the shares were also helped by an announcement that the group had acquired full control of a Mexican distributor.

Rumoured downgradings adversely affected conglomerates Tomkins, down 10 at 207p, and Williams Holdings, which lost 6 to 198p.

Avon Rubber moved 9 lower to 285p as the market began to worry about the annual results, due early in December. Analysts believe Avon has had another bad year, but some expect a recovery in 1991. One trader observed: "Most dealing firms have stock of Avon on their books, and who wants more?" The price is backing away from light sales in the absence of buyers, he said.

Bechem Environmental Services continued to perform better than other "green stocks", rising 15 to 480p on a Kleinwort Benson buy recommendation. Leigh Interests was also placed on a buy list and advanced 6 to 258p. BZW believes Leigh is well placed to take advantage of expected growth in the waste disposal industry and projects compound earnings per share growth over the next three years of 19 per cent per annum.

BAA rallied 12 to 368p in advance of an analysts' visit to the new terminal at Stansted airport today, and in anticipation of the release of good interim profits in three weeks time. It was also helped by BZW changing its recommendation from hold to buy.

The speculation that UK interest rates could be cut prompted rallies in the stores sector. Kingfisher added 10 at 387p, Dixons gained 7 to 147p and Storehouse rose 5 to 126p. In food manufacturing, Asda, an interest-rate sensitive stock, firmed 4 to 124p. Sears gained 2 to 86p as the day's turnover was swelled to 7.3m by a 4.3m overnight tax-loss deal.

Hoare Govett placed 31m Clyde Petroleum shares with a range of mostly UK institutions. The seller was DSM, the Dutch chemicals company, which acquired the stake in August 1989 when it swapped some oil reserves, worth about 145p a Clyde share, for the holding. Yesterday's placing price was 170½p, a 5 per cent discount to the mid-price at the time. Afterwards Clyde slipped 6 to 172p. Hoare said the placing was "well-oversubscribed".

Further light was cast on Scottish Heritable Trust, which dropped nearly 40 per cent on Tuesday. The company yesterday forecast an annual loss of £5.5m, excluding property provisions, but said it had secured short-term support from its bankers. Scottish shares failed to recover, closing 3¼ down at 10¼p.

News of heavier losses at the half-way stage pushed Futura Holdings down 11 further to 60p, but Shiloh rebounded 8 to 78p as the interim dividend was maintained in spite of a near 40 per cent fall in first-half profits. Prospects for the second half are better, said the company.

Property development and investment company Markheath Securities plunged 11¼ to 28¼p after market suggestions that Adelaide Steamship Company (Adsteam), the Australian conglomerate which has around a 50 per cent stake in the company, was experiencing liquidity problems. This followed the disclosure of inter-group loans within Adsteam, which were enough to push Adsteam shares to a seven-year low.

Frogmore Estates also suffered, being 20 per cent-owned by Markheath. Frogmore's share price fell 14 to 265p. The weaker tone among the two part-owned companies was accentuated by a statement in Adsteam's annual report which promised a "substantial degearing" of the company. Market sources suggested that despite any evidence to suggest such, investors were afraid that the company may be thinking of selling its stake in the two UK companies.

Water shares moved against the general trend and ended on a weaker note. The Water Package shed £18 to £2280.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (11).
BRITISH FUNDS (6) BREWERS (1) STORES (1) TRUSTS (2) WATER (1).
NEW LOWS (129).
AMERICANS (5) CANADIANS (1) BANKS (5) BREWERS (2) BUILDINGS (9) CHEMICALS (5) STORES (3) ELECTRICALS (5) ENGINEERING (8) FOODS (2) INDUSTRIALS (38) Anglo United, Avon Rubber, BTR, Black Arrow, Bogod A, Cannon Street Invs., Cargo Control, Campbell & Armstrong, Clearmark, Computer People, Doctus, Dyson (J & J) A, Electrolux, Fletcher Challenge, Grampian, Hewitt Whiting, Johnston Group, Lilleshall, MITE, Magnolia, McLeod Russell, Metsec, PCT, Reuters, Scottish Heritable Tst., Securiguard, Store B Free, Westerly, Whitecroft, YRM, INSURANCE (1) LEISURE (8) MOTORS (2) NEWSPAPERS (1) PAPERS (4) PROPERTY (3) SHOES (1) TEXTILES (4) TRANSPORT (1) TRUSTS (5) OILS (6) OVERSEAS TRADERS (2) PLANTATIONS (3) MINES (4) THIRD MARKET (2).

FINANCIAL TIMES STOCK INDICES

	Oct 31	Oct 30	Oct 29	Oct 26	Oct 25	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.24	80.11	79.91	79.85	80.08	83.87	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.85	88.62	88.73	88.78	88.75	93.30	92.91 (8/1)	83.60 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1592.9	1575.3	1600.6	1598.4	1617.5	1731.3	1969.3 (3/1)	1510.4 (24/9)	2008.6 (5/6/89)	49.4 (26/6/40)
Gold Mines	171.5	168.9	168.1	170.6	172.7	220.3	272.5 (6/2)	163.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2050.3	2033.9	2062.1	2063.1	2089.7	2154.1	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	990.04	984.93	988.47	-	-	-	-	-	-	-
Ord. Div. Yield	5.01	5.07	5.98	5.99	5.86	4.77				
Earning Yld %(full)	12.52	12.65	12.48	12.47	12.34	11.63				
P/E Ratio(Net)(*)	9.68	9.58	9.73	9.71	9.82	10.56				
SEAQ Bargains 4.45pm	20,586	18,856	17,748	19,282	16,778	20,184				
Equity Turnover(£m)†	-	671.83	422.52	852.76	576.05	853.47				
Equity Bargains†	-	16,555	16,157	17,395	15,637	18,884				
Shares Traded (mil)†	-	332.5	229.1	318.4	272.4	304.5				

Ordinary Share Index, Hourly changes — Day's High 1601.8 — Day's Low 1576.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1577.9	1578.2	1583.8	1590.1	1601.7	1597.0	1599.3	1598.8	1594.6

FT-SE, Hourly changes — Day's High 2061.9 — Day's Low 2036.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2039.6	2037.7	2046.7	2055.9	2061.9	2056.2	2058.5	2053.9	2051.1

FT-SE Eurotrack 100, hourly changes — Day's High 990.07 — Day's Low 984.07

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
985.21	985.09	985.77	984.58	986.02	988.60	990.01

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ‡ FT-SE Eurotrack 100 ... † Excluding intra-market business.

GILT EDGED ACTIVITY

Indices*	Oct 30	Oct 29
Gilt Edged Bargains	113.7	100.8
5-Day average	108.3	102.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99⅞	97¼	Treas 11½pc 1991	99⅞	+⅛	11.80	13.19
97⅝	92	Funding 5¾pc '87-91‡‡	97⅝	.....	5.87	10.49
96	89	Treas. 3pc 1992	96	+1	3.11	9.36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock (b)	Price £	+ or –	(1)	(2)
126⅛	110¾	Tr. 2pc '92‡‡(97.8)	126⅛	+⅛	2.24	4.15
115	103¼	Do. 2 '94(102.9)	114½	+⅛	[illegible]	3.96
166	150⅝	Do. 2pc '96(67.9)	166	+⅛	3.53	4.00
134¼	123½	Do 2½pc '01(78.3)	134¾	+¼	4.14	4.42
130½	119⅝	Do. 2½pc '03(78.8)	130½	+⅛	4.17	4.42
132	122	Do. 2pc '06(69.5)	131⅞	+¼	4.22	4.42
123	113	Do. 2½pc '09(78.8)	122½	+⅛	4.26	4.42
128	117¼	Do. 2½pc '11(74.6)	125¼	+¼	4.27	4.40
107¼	97⅛	Do. 2½pc '13(89.2)	103¼	+¼	4.19	4.35
115¼	105	Do. 2½pc '16(81.6)	111	+¼	4.15	4.30
113	102	Do. 2½pc '20(83.0)	107¼	+¼	4.12	4.25
95¾	86	Do. 2½pc '24‡‡(97.7)	94	+⅛	4.05	4.17

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1990: 120.2 and for September 1990: 129.3.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or –	Div. %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Yld Gr's
21½	5¼	Chase Manhattan $12½	[illegible]	.....	$1.20	–	23.4
19¼	552p	Chem. Banking Corpn.	559p	+7	$1.00	–	9.1
12½	5¼	Chrysler $6¼	5½	+⅛	$1.20	–	10.6
18¼	5¼	Citicorp $1	5½	+⅛	$1.78	–	15.7
40	29½	Colgate-Palmolive $1	34¼	+⅛	$2.80	–	2.7
12½	386p	Cont'l Bank Corp $4	403p	+1	$1.00	–	12.5
268p	54p	Corporate Data Scns.	54p	–20	–	–	–
22½	10¾	Dana Corp. $1	18¾	+⅛	$1.60	–	7.5
768p	218p	Data General	231p	+13	–	–	–
29½	18¾	Dun & Bradstreet $1	19	+⅛	$2.12	–	5.7
37	21	Eaton Corpn. 50c	21½	+⅛	$2.20	–	5.2
10	4½	Echlin Inc.	5½	+⅛	70c	–	6.4
22½	13½	FPL Group 1c	14½	+⅛	$2.36	–	8.3
29	15	Fluor Corp 62½pc	16	–⅛	24c	–	0.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Schroders company secretary

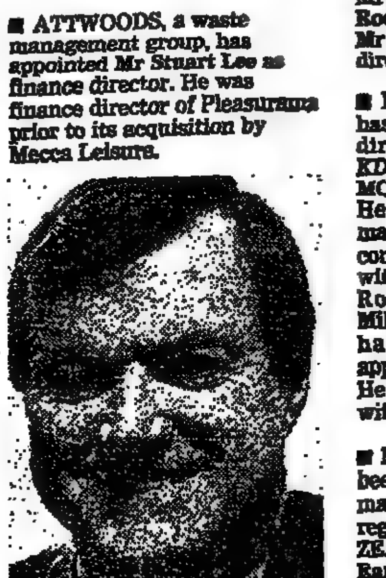
■ Mr Andrew Gaulter has been appointed company secretary of SCHRODERS from today in succession to Mr Raymond Badrock who retires at the end of the year.

■ Mr Harold Harvey has joined CARRINGTON VIYELLA as manufacturing and operations director. He replaces Mr John Pashley, who has retired because of ill-health but who will be retained as a consultant, and Mr John Humphries, who has left the company. Mr Harvey was managing director of John Foster and Sons.

■ Mr Simon Bentley has been appointed chairman of BLACKS LEISURE GROUP. He will continue as chief executive, and succeeds Mr Bernard Garbacz, non-executive chairman, who has resigned. Mr Tony Sparling, an executive director, has been appointed group managing director.

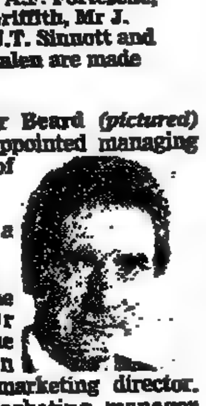
■ Mr Bruce E. Peer has been appointed president, LABATT BREWERIES OF EUROPE, a subsidiary of John Labatt, Canada. Mr Peer is a vice president of John Labatt, and was president of Labatt's Ontario Breweries. He succeeds Mr John Morgan who has been appointed president, Labatt Breweries of Canada.

■ ATTWOODS, a waste management group, has appointed Mr Stuart Lee as finance director. He was finance director of Pleasurama prior to its acquisition by Mecca Leisure.



Mr Ken G. Sanford (*pictured*) has been appointed vice president and managing director of CUMMINS ENGINE COMPANY, succeeding Mr Euan Macfarlane who will become non-executive chairman on January 1. Mr Sanford was president of Cummins Australia.

■ Mr G.H.C. Wakefield has been appointed chairman, and Mr C.M. Keville becomes chief executive of BOWRING MARINE REINSURANCE BROKERS (LONDON). Mr P.J. Bayfield, Mr P.J. Bernhard, Mr R.H. Brandon, Mr C.J.S. Cullum, Mr A.F. Fortescue, Mr J. McI Griffith, Mr J. Rooke, Mr J.T. Sinnott and Mr L.R. Whalen are made directors.



■ Mr Peter Beard (*pictured*) has been appointed managing director of KDG MOBREY. He was a managing consultant with Touche Ross. Dr Mike Neame has been appointed marketing director. He was marketing manager with Rosemount.

■ Mr Andrew Douglas has been appointed general manager London - Europe region of the BANK OF NEW ZEALAND. He succeeds Mr Earl Hartstonge who has been appointed head of financial institutions in head office, Wellington, New Zealand.

■ Mr Iain Lindsay-Smith, deputy managing director, has been appointed chief executive of LLOYD'S OF LONDON PRESS. He is chairman of the three principal operating subsidiaries. Mr Lindsay-Smith will succeed Mr Joe Parkinson who retires at the end of the year.

■ HAFNIA HOLDINGS has appointed Mr Stuart Fairclough as managing director of Hafnia Prolific International Life Association, a joint venture between Hafnia and Prolific. He will co-ordinate the activities of the new company, which has been set up to develop life assurance business in Danish, UK and international expatriate markets. Mr Fairclough remains a director of Prolific Life & Pensions, and Prolific Financial Services.

■ Mr Phil Basterman has joined BRITISH WATERWAYS as director of finance from Alcan Aluminium, Canada.

Mr Bruce Brain (*pictured*), managing director of the information technology division, has been elected to the board of DOWTY GROUP. It was incorrectly reported yesterday that Mr Colin Cocks, managing director, electronic systems division, had been elected to the main board.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5.	£9⅜	+⅛	Q28%	2.1	8.9	5.3
303	154	ANZ $A1	154	–1	44c	1.4	11.6	6.1
233	172	Abbey National 10p	212	+1	5.7	4.3	3.6	8.6
*274	128	Allied Irish Ord	152	+2	Q40%	3.3	5.9	6.9
85	47	Anglo Irish	53	.....	Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	65	.....	2.5	1.3	5.1	18.7
£71¾	£32½	Bancaire Cie Fr100	£42½	–¼	Q12½%	–	3.1	–
£22⅛	£13⅝	Banco Bilbao Viz	£15¼	–⅛	Q49.1%	2.7	5.3	10.3
286	136	Bank Ireland Ir£1	152	+3	Q14.7%	2.9	8.7	5.3
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	104	.....	†4.55	3.4	5.8	6.6
100¼	83¼	Do. 9¼pc Irrd Pf	95xd	+½	9¼%	–	13.0	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	335	+3	†h19.57	3.5	7.8	4.6
22	11	Benchmark 20p	11	.....	0.75	–	9.1	–
335	238	Brown Shipley £1	240	.....	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	341	+6	N24.5	–	9.6	–
179	37	Chancery	37	.....	9.0	2.7	–	1.5
£23¼	£15¼	Commerzbk DM10	£15¼	.....	Q18%	–	4.1	–
£13¼	620	Dai Ichi KBk Y50	706	+6	Q17%	6.2	0.5	33.3
*£313½	£194¼	Deutsche Bk DM50	£202¼	–⅞	Q28%	–	2.3	–
£20⅞	£14½	Espirito Santo	£15½	+⅛	Q75c	5.1	2.4	8.0
253	166	First Nat. Fin. 10p	174	+5	13.0	2.1	10.0	6.0
121	82	FNFC 6.3pc Cv. Pf	86	+1	6.3%	–	9.8	–
£13⅛	633	Fuji Bank Y50	882	–11	Q17%	◆	0.4	◆
325	262	Gerrard & National	284xd	+4	19.0	–	8.9	–
154	88	Guinness Mahon 10p	89	.....	2.1	–	3.1	–
328	194	Hambros 20p	228	+8	11.5	–	7.0	–
128	88	Do. 7.5pc Cv Pf	94	.....	7½%	–	10.6	–
53½	31	HK & Shang HK$2.50	31	–½	†hQ38c	–	8.2	–
478	378	Joseph (Leo) £1	378	.....	15.85	–	5.6	–
150	105	King & Shaxson 20p	118	.....	10.25	–	11.6	–
422	262	Kleinwort Benson Grp	276	+7	16.0	2.5	7.7	6.5
642	316	Kyowa Bank Y50	396	–6	Q14%	◆	0.8	◆
316	182	Lloyds £1	254	+4	†13.3	2.6	7.0	6.0
56	44	Lon. Scot. Bank 10p	48	.....	†2.4	1.9	6.7	9.5
404	176	Midland £1	189	+12	†18.0	2.6	12.7	3.9
£14½	£10½	Mitsubishi Bank Y50	£10½	.....	Q17%	◆	0.3	◆
£12¼	£4½	Mitsubishi Tst & Bk Y50	£5⅞	–⅛	Q17%	12.4	0.6	13.9
£10½	£4½	Mitsui Taiyo Kobe Y50	£6½	.....	†Q16%	6.0	0.5	34.8
904	410	Mitsui Tst & Bk Y50	503	–15	Q17%	◆	0.7	◆
326	230	Nat Aust. Bk. A$1	238	.....	sQ50c	1.6	8.8	7.0
368	227	NatWest £1	243	.....	†16.7	3.3	9.2	4.4
£210	£115	Ottoman Bank	£120	.....	Q110%	2.8	9.2	3.9
55	28	Rea Bros Group	28	.....	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	137	+1	†7.2	3.8	7.0	4.8
795	368	Saitama Bank Y50	395	–4	Q14%	◆	0.7	◆
£12¼	567	Sanwa Bank Y50	702	–1	Q17%	6.7	0.5	30.8
902½	613	Schroders £1	683	+5	h12.5	5.9	2.4	9.2
712½	413	Do. £1 N/V	468	–5	h12.5	5.9	3.6	6.3
£25¼	£9¼	Sec Pacific $10	£9¼xd	+¼	Q$2.52	–	13.6	–
616	235	Standard Chartd. £1	258	+8	35.0	1.4	18.1	(4.8)
£16¼	£5¼	Sumitomo Bank Y50	£7	–¼	†hQ16%	7.5	0.4	29.1
£11	£4¾	Sumitomo Tst & Bk Y50	£5¼	–⅛	Q17%	6.9	0.6	24.5
147	114	TSB	130	+2	†5.8	2.5	5.9	8.4
175	124	TSB Bank Chnl Is	124	–3	†06.7	3.5	5.4	6.2
£463	£4¼	Tokai Bank Y50	£5¼	–⅛	Q16%	4.1	0.8	37.6
920	484	Toyo Tst & Bk Y50	626	–11	hQ15.2%	6.9	0.5	28.0
611	499	Union Discount £1	543	+7	33.0	–	8.1	–
525	286	Warburg (S.G.)	315	+7	15.0	3.8	6.3	5.5
180	99	Do 6pc Cnv Prf	107	+1	6%	–	7.5	–
279	154	Westpac $A1	154	–1	Q52.5c	1.5	14.7	4.4
420	305	Wintrust 20p	319	.....	†7.8	4.2	3.3	8.7
969	509	Yasuda Tst & Bk Y50	633	–7	Q17%	◆	0.6	◆

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
179	40	CLF Yeoman 50p	50	.....	Q18.5%	3.2	17.5	2.4
71	52¼	Cambridge Grp Ir5p	54¼	.....	†07½%	15.6	0.6	13.7
95	11	Capital Leasing Ir10p	16½	[illegible]	hQ12%	3.5	6.2	4.2
68	50	Cattle's (Hdgs) 10p	58½	+1½	†3.58	1.9	8.1	8.4
426	362	Prov. Financial	386	+1	†20.5	2.1	7.1	8.9
*232	134	Reflex Invs. Ir5p	136	.....	gQ51%	7.9	1.7	10.0
225	192	Secure Trust Grp. 1p	195	.....	18.5	2.8	5.8	8.2
210	135	Woodchester IR20p	17[illegible]	+2	†hQ4.7%	5.9	1.8	12.7

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

For York Trust see Babcock Prebon

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	y	700
Finlay Pkg. 5p	y	40
Holt (Jos) 25p	y	1385
Carrol (P.J.)		192
Helton Hldgs	y	54
IRG		153½
United Drug		138

IRISH

Cap. 8½% Ln. 1991	£98¼
9pc Cap Ln. 1996	£93½
Fin. 13% 97/02	£110¼
Arnotts	175

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	39.74	39.04	41.58	+0.00	6.30
Gilts & Fixed Int	6	106.3	106.3xd	112.7	+0.2	10.10
High Inc Equity	6	113.4	116.5xd	123.9	-0.1	5.13
Worldwide Bond	6	[illegible]	[illegible]	203.1	+0.1	7.58
Capital Growth						
American Growth	6	144.4	145.6	154.8	+1.6	1.30
Asian Pacific	6	95.55	97.58	103.8	-1.9	0.12
Assets & Earnings	6	140.4	140.4	150.1	.....	5.13
Capital Reserve Acc	0	98.18	98.18	98.26	+0.06	7.26
Capital Reserve Inc	0	82.52	82.52	82.59	+0.06	7.36
Commodity & Energy	6	75.19	75.19	80.41	-0.21	1.37
1992 Enterprise	6	53.37	53.37	57.08	-0.17	3.42
Euro Capital Acc	6	83.49	83.49	89.29	-0.06	1.11
Euro Capital Inc	6	80.16	80.16	85.73	-0.06	1.11
General	6	148.4	151.7	161.3	+2.3	3.10
Japan	6	88.73	89.31xd	95.01	-0.54	0.00
Masterfund	6	75.64	75.68	81.78	+0.7	2.07
UK Growth Acc	6	137.1	144.2xd	153.3	+6.7	2.60
UK Growth Dist	6	88.65	93.27xd	99.22	+4.43	2.60
US Emerging Cos	6	38.97	39.95xd	42.49	+0.81	0.00
Income & Growth	6	255.7	262.4	279.1	+5.2	3.67
Ethical	6	40.64	41.70	44.36	-0.01	2.25
International	6	51.21	52.04	55.36	-0.15	0.90
Dividend & Growth	6	40.00	41.11	43.73	-0.09	5.15
Global Gth & Sec	6	46.68	46.09	49.00	+0.04	2.00

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: The letter H denotes [illegible]

FORWARD PRICING: The letter F denotes [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

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Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks
Admin 0296 394000 Dealing 0296 312136

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	55.68	55.68	59.45	+0.57	1.30
Australia	5	[illegible]	5.346	5.722	[illegible]	4.66
Equity	5	137.3	137.3	147.5	+0.6	5.22
Euro Spec Sits	5	97.81	97.81	105.2	+0.8	0.06
Financial	5	24.01	24.01xd	26.02	+0.40	3.33
Global Opps Inc	5	56.65	56.65xd	61.09	+0.26	0.00
Global Opps Acc	5	57.08	57.08	61.46	+0.26	0.00
Gold & Gen Inc	5	35.57	35.57xd	38.23	+0.24	1.05
Gold & Gen Acc	5	66.30	66.30	71.25	-0.53	1.05
Income	5	84.94	85.20xd	91.52	-0.32	6.77
Japan & General	5	116.3	116.3	125.1	-0.9	0.00
Preference Share	5	17.40	17.64xd	18.97	+0.32	11.99
UK Capital	5	75.39	75.39	80.98	-0.49	4.31
World Income	5	51.72	51.72xd	55.61	+0.31	6.35
Worldwide Capital	5	143.9	143.9	154.8	+0.8	3.53

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	89.14	89.91	96.16	-0.07	3.82
Global Growth Inc	6	85.65	86.38	92.39	+0.06	3.82
[illegible]	6	89.82	90.30	96.58	-0.13	5.07
Global Balanced Inc	6	83.68	84.13	89.98	-0.12	5.07
Value Tst Acc	6½	66.58	67.56	72.26	+0.34	4.75
Value Tst Inc	6½	64.91	65.88	70.46	+0.34	4.75
Intl Pen & Ch ties Inc♥	2	84.90	86.29	90.59	-1.71	4.04
Intl Pen & Ch ties Acc♥	2	81.93	83.27	87.42	-1.58	4.04

Thornhill Unit Trust Managers Ltd (1200)F
28 St John's Sq, London EC1M 4AE 071-251 6767

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	300.2	316.0	+1.2	-
UK Equity	375.8	395.6	+2.4	-
Overseas Eq.	286.2	301.3	+0.5	-
Americas	202.9	213.6	+0.8	-
Far East	311.7	328.2	-2.3	-
Property	191.4	201.5	+0.8	-
Fixed Int.	232.0	244.3	+0.5	-
Indexed Gilt	144.4	152.0	+0.2	-
Deposit	171.6	180.7	+0.1	-
Pension Fund (Accum Units)				
Managed	415.2	437.1	+1.7	-
UK Equity	478.6	503.8	+3.5	-
Overseas Eq	471.2	496.0	-0.4	-
Americas	269.6	283.8	+1.3	-
Far East	521.5	549.0	-2.4	-
Property	237.5	250.0	+1.1	-
Fixed Int.	281.7	296.6	+0.8	-
Indexed Gilt	158.7	167.1	+0.3	-
Deposit	235.8	248.3	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	908.9	925.1	----	-

Prices Oct 1 Next dealing Nov 1

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.4	63.6	+0.2	-
Stock Market Mngd Fund	56.8	59.8	-0.2	-
Equity Fund	64.6	68.0	+0.4	-
International Fund	50.0	52.6	...	-
European Fund	61.0	64.3		-
North American Fund	46.8	49.2	+0.2	-
Pacific Fund	52.0	54.8	-0.5	-
Property Fund	86.5	91.0	...	-
Fixed Interest Fund	52.6	55.4	+0.1	-
Index linked Sec Fund	58.7	61.8	+0.2	-
Deposit Fund	65.8	69.3	-	-
NUAM Retirement Plans				
Mixed Fund	65.6	69.0	+0.2	-
UK Ordinary Share Fd.	74.3	78.2	+0.6	-
International Fund	54.6	57.5	..	-
Property Fund	83.9	88.3	-0.7	-
Fixed Interest Fund	62.9	66.2	+0.2	-
Index Linked Sec Fund	62.0	65.3	+0.1	-
Deposit Fund	76.4	80.4	....	-
NUAM (MF)				
Managed Fund	856.6	901.7	+2.5	-
Equity Fund	1784.8	1878.8	+9.5	-
International Fund	131.9	138.9	-0.1	-
Property Fund	547.2	576.0	+0.1	-
Fixed Interest Fund	394.4	415.2	+0.7	-
Index Linked Sec Fund	59.7	62.9	+0.1	-
Deposit Fund	270.7	285.0	.....	-

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Total Investment Bond				
UK Equity Initial		128.4	+0.8	-
UK Fixed Int. Initial		107.4	+0.2	-
Intl Equities Initial		103.0	-1.5	-
UK Managed Initial		104.5	+0.1	-
Property Initial		164.2	-1.6	-
Money Initial		84.1	...	-
Special Market Initial		95.6	-1.1	-
Japan Equity Initial		77.8	-0.5	-
North American Initial		61.4	+0.9	-
Pacific Initial		61.3	-0.1	-
Technology Initial		86.9	+0.3	-
Nat Resources Initial		43.6	-0.1	-
European Initial		81.7	-0.4	-
Residential Prop Init.		93.8	-0.1	-
Swiss Equities Initial		29.8	...	-
Hong Kong Initial		43.7	-0.1	-
UK High Inc Eq Init.		58.0	+0.5	-
Int Fixed Interest Init.		49.5	+0.1	-
Int Managed Init.		49.3	-0.4	-
HIP Managed Init		95.6	-0.3	-
HIP Managed II Initial		84.8	-0.3	-
Broker Funds				
High Performance	61.0	64.3	-0.4	-
Towerhill Mngd Fd Acc.	32.9	34.7	-1.7	-
YRA Executive Fd.	84.0	88.6	-0.5	-
E Global Growth Acc	111.0	117.0	-1.6	-
E High Income Money Acc.	132.3	139.5	...	-
TM Balanced		46.4	-0.2	-
H F Specialists Fd.		115.7	-0.6	-
PEP Acorn U.		102.9	-0.2	-
PEP Cautionary		66.9	....	-
AAFS Int Man Fund		106.5	-0.7	-
Andrews-Green Inv Port.		76.9	-0.7	-
Individual Pension Funds				
UK Equity Acc.	202.6	213.8	+1.3	-
UK Fixed Interest Acc	194.9	205.6	+0.5	-
Intl Equities Acc.	192.8	203.4	-3.6	-
UK Managed Acc.	164.3	173.3	+0.2	-
Property Acc	209.3	220.8	-2.1	-
Money Acc	149.7	158.0	+0.1	-
Special Market Acc.	192.4	203.0	-2.3	-
Japan Equity Acc.	157.8	166.5	-1.2	-
North American Acc.	96.6	101.9	+1.3	-
Pacific Acc	146.6	154.7	-0.2	-
Technology Acc.	141.5	149.3	+0.5	-
Natural Resources Acc.	85.3	90.0	-0.2	-
European Acc	103.7	109.4	-0.7	-
Residential Prop Acc.	103.4	109.1	...	-
Swiss Equities Acc.	30.9	32.7	-0.1	-
Hong Kong Acc.	46.0	48.6	-0.1	-
UK High Inc Equ Acc.	65.0	68.6	+0.5	-
Int Fixed Interest Acc.	53.7	56.7	...	-

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	183.5	193.2	(z)	-
Target Mngd Pension	112.0	117.0	(z)	-
Albany Life Acc.	165.3	173.9	----	-
Albany Pens Acc.	204.3	215.0	+0.2	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 295 4000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Orion		$-	9.8907		----	-

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc
UK Agent: Ivory & Sime Plc. One Charlotte Square, Edinburgh EH2 4DZ 031 225 1357

		Bid Price	Offer Price	+ or -	Yield
GBC Nth America Inc*	C$-	2.49		---	-
Approv Stlg Equiv	£-	1.09		---	-

*Dealing Thursdays—Forward Redemption Fee 1%.

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngmt (Guernsey) Ltd
PO Box 255 St Peter Port Guernsey CI 0481 710651

		Bid Price	Offer Price	+ or -	Yield
Worldwest Bond Fund Inc	£-	1.27	1.32	----	-
Worldwest Cap Fd Acc	$-	1.35	1.44	----	-

BBV—Hambros Asset Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey CI 0481 710651

Bilbao-Vizcaya Euro .. 3| Euro 0 10.43 10.87 -0.27 -

Grofund Invest Managers (Guernsey) Ltd
PO Box 255 St Peter Port, Guernsey CI 0481 710651

Grofund International Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (DIO)	$9.91	10.54	..	-
Mngd Portfolio (Stlg)	[illegible]	3.90	....	-
Baring Currency Fund Ltd				
US Dollar		$14.53	.	-
Sterling		£17.68		-
Deutschemark		DM37.97	+0.02	-
Japanese Yen		Y3,792	+1	-
Managed	$42.01	44.11	-0.06	-
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr115.6	115.8	+0.4	-
Fipart-Conseil Fund Mngrs (Guernsey) Ltd				
Navlemle G & B Fd	SFr7.81	7.87	....	2.62
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3461	0.3709	+0.0007	13.21
Govett Far East Inv	$0.904	0.9??	-0.007	-
Energy & Resources	$0.669	0.715	-0.006	-
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$9.0569	9.6321	....	-
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Stlg High Inc	£9.940	10.500d	....	10.09
Intl Inv-Intl High Inc	$48.782	51.346d	....	5.54
Henderson Admin. (Guernsey)				
Prime Res Ptopdeb nchyse	£0.908	-		-
Balanced Gwth $ Prtflo	$1.808	1.948	-0.019	-
Balanced Gwth £ Prtflo	£1.036	1.112	-0.009	-
Select Mkts $ Prtflo	$1.829	1.977	-0.015	-
Inc & Gwth $ Prtflo	[illegible]	[illegible]	[illegible]	-
High Income £ Prtflo	£0.594	0.630d	....	-
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	63.83	68.26	[illegible]	2.84

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Ferous Fd Oct 26		£12.06	....	-
UK Trend Oct 26		£8.37		-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£7.88	8.53		-
Fleet Street Inv Fd	£7.17	7.69	....	-
Offshore Income Fd Ltd	£8.93	9.59	..	-
Redon Union W'W'S.G.	£8.86	9.31	....	-
[illegible]	£6.41	6.61		-
Tyndall International (Isle of Man) Ltd				
H I Gilt/Bulldog	100.6	-		-
(Accum Shares)	100.3	106.4	+0.50	-
Unibank Scandinavian Fund Ltd				
Scandinavia Fd	165.88	174.39	....	1.0

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	£0.743	0.743	0.798	-0.02	2.5
Global Income (Inc)	5¼	£0.396	0.396	0.428	....	4.6
Global Resources R	5¼	£0.323	0.323	0.350	[illegible]	1.3
Currency Fund						
Stlg Premium Income R		£10.21		10.25d	....	13.3
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse, Bath St, St. Helier, Jersey						
Tel 0534 74689 (Dealing)						0534 75639 (Helpline)
Facsimile 0534 79040						Telex 4192136
Capital House International Growth Funds Ltd ♦						
Equities						
UK Equity	5	£1.039	1.039	1.102	[illegible]	-
North American	5	£1.342	1.375	1.459	[illegible]	-
Japanese	5	£1.629	1.629	1.729	[illegible]	-
Pacific Basin	5	£2.147	2.147	2.279	[illegible]	-
Continental European	5	£2.367	2.367	2.512	[illegible]	-

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Commercial Union Luxembourg SA – Contd.

S.G. Warburg Asset Mngmt Lux SA – Contd.

Wardley Investment Services (Lux) SA (u)

7 rue du Marche – aux – Herbes L-1728 Luxembourg

LUXEMBOURG (REGULATED)(**)

Templeton Worldwide Investments

Top Brand Fund Intl–SICAV (u)

Top Brand Fd Intl | $13.49 | 14.17 | -0.02 | 1.41

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

GAM Fund Management Ltd (u)

	Bid Price	Offer Price	+ or -	Yield Gross
GAM Universal US Dlr Acc		$108.70	....	-
GAM Universal US Dlr Inc		$108.70	....	-
GAM Universal DM Acc		DM105.54	....	-
GAM Universal DM Inc		DM105.54	....	-

Gartmore Investment Ltd

Genesis Fund Managers Ltd

Nomura Warrant Fund 1990 Ltd – Contd.

North Star Fund Managers (Cayman) Ltd

Wardley Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley S.E. Asia Tst	$11.12	11.69	-0.0[illegible]	
Japanese Warrants	$7.77	8.23		
Asian Warrants	$8.18	8.67	-0.14	
European Warrants	$6.07	6.43	-0.10	
Managed	HK$9.19	9.81	-0.06	

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Growth Fd	$12.63	13.28	....	

Wells Fargo U.S. IT Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Oct 26		$9.60	....	

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias Int USD		$1.0062	....	
Xiphias Int ECU		Ecu0.9651	....	

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yie[...] allow for all buying expenses. Prices of certain [...] Insurance linked plans subject to capital gains t[...] sales. h Distribution free of UK taxes. p Periodic pre[...] insurance plans. s Single premium insurance. u Desig[...] in Luxembourg as a UCITS (Undertakings for Coll[...] Investment in Transferable Securities). x Offered [...] includes all expenses except agent's commissio[...] Previous day's price. §§ Guernsey gross. # Suspen[...] Yield before Jersey tax. † Ex-subdivision. ‡‡ Only av[...] to charitable bodies. ♦ Yield column shows ann[...] rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory auth[...] for these funds are: Guernsey: Financial Se[...] Commission. Isle of Man: Financial Super[...] Commission. Jersey: Commercial Relations Depar[...] Luxembourg: Institut Monetaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Lower rates depress sterling

INTEREST RATES were the focus of attention on the foreign exchanges yesterday. Sterling lost ground on speculation that UK bank base rates will be cut again in the near future, while the US Federal Reserve appeared to confirm an easing of its monetary stance by its action on the New York money market.

The strength of the franc encouraged the Bank of France to reduce official interest rates, but Spanish rates were firmer as expectations of an easing by the Bank of Spain faded. In Frankfurt dealers suggested that the domestic situation in Germany points to a rise in the Bundesbank's Lombard rate, but that international events might prevent this.

Sterling finished in London below its central rate in the European Monetary System of DM2.95 against the D-Mark. It fell to DM2.9450 from DM2.9575 as pressure increased for a reduction in bank base rates. Cash rates on the London money market are discounting a cut of ½ point while prices of short sterling futures on Liffe are looking towards a full 1 per cent drop in rates before delivery of the December contract.

This follows the very gloomy survey of the UK economy by the Confederation of British Industry. The view of the CBI that Britain is already in recession led to the downward pressure on interest rates and a fall in the value of the pound.

Sterling also lost 40 points to \$1.9440 while falling to FFr9.8650 from FFr9.9000 and to SFr2.5000 from SFr2.5100, but improving to Y252.50 from Y251.50. The pound's index fell 0.3 to 94.5.

In New York the Fed added \$2.5bn to the banking system, via customer repurchase agreements, when Federal funds were trading at $7\frac{15}{16}$ per cent. This encouraged thoughts that the Fed has cut its target rate for Fed funds by ¼ point to 7¾ per cent. Data on US personal income and consumption had no impact on the market. At the London close the dollar had fallen to DM1.5155 from DM1.5185; to SFr1.2865 from SFr1.2890; and to FFr5.0750 from FFr5.0825, but had climbed to Y129.95 from Y129.10. It index declined to 60.9 from 61.0.

Within the EMS exchange rate mechanism the Danish krone was the weakest member, according to figures from the European Commission. Sterling was 0.33 per cent above its central rate against the krone. The strongest ERM currency remained the Spanish peseta, 3.84 per cent above its central rate against the krone. The peseta was supported by fading expectations that the Bank of Spain will cut interest rates in the near future.

The French franc weakened on news that the Bank of France had cut its money market intervention rate, the main instrument of monetary policy, by ¼ point to 9¼ per cent from the next tender due on Monday. The D-Mark rose to FFr3.3500 from FFr3.3473 at the Paris fixing.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 31	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.182	-3.33	3.84	59
Belgian Franc	42.4032	42.4085	0.01	0.37	3
Sterling	0.696904	0.697265	0.05	0.33	-1
French Franc	6.89509	6.89930	0.06	0.32	1
Irish Punt	0.767417	0.768702	0.17	0.21	-4
German D-Mark	2.05586	2.06016	0.21	0.17	-8
Dutch Guilder	2.31643	2.32305	0.29	0.10	-10
Italian Lira	1538.24	1543.73	0.36	0.03	-14
Danish Krone	7.84195	7.87193	0.38	0.00	-14

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct. 31	Latest	Previous Close
£ Spot	1.9435-1.9445	1.9560-1.9570
1 month	0.96-0.94pm	1.02-1.00pm
3 months	2.62-2.56pm	2.73-2.70pm
12 months	7.20-7.70pm	8.35-8.25pm

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

Oct. 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9410 - 1.9530	1.9435 - 1.9445	0.97-0.95cpm	5.93	2.63-2.60pm	5.38
Canada	2.2605 - 2.2850	2.2695 - 2.2705	0.34-0.25cpm	1.56	0.63-0.49pm	0.99
Netherlands	3.31¼ - 3.33¼	3.31¼ - 3.32¼	1⅝-1½cpm	5.64	4⅜-4¼pm	5.19
Belgium	60.45 - 61.00	60.60 - 60.70	3-2cpm	0.49	8-6pm	0.46
Denmark	11.26 - 11.31¼	11.26 - 11.27	3⅞-3⅝orepm	3.99	10⅛-9⅝pm	3.55
Ireland	1.0985 - 1.1100	1.1015 - 1.1025	0.41-0.37cpm	4.25	1.09-0.95pm	3.68
Germany	2.94¼ - 2.96	2.94¼ - 2.94¼	1½-1¼pfpm	5.60	3¾-3½pm	5.01
Portugal	258.35 - 260.15	258.35 - 259.35	1-37cdis	-0.88	10-155dis	-1.27
Spain	184.15 - 185.65	184.15 - 184.45	6dis-6cpm	-	16-29dis	-0.49
Italy	2206 - 2219½	2207½ - 2208½	7-5lirepm	3.26	16-13pm	2.63
Norway	11.45 - 11.51¼	11.45½ - 11.46½	3½-2¼orepm	3.08	7⅞-7⅛pm	2.66
France	9.86 - 9.91½	9.86 - 9.87	3½-3cpm	3.88	9-8½pm	3.52
Sweden	10.93¼ - 11.00¼	10.94 - 10.95	2½-2⅞oredis	-2.47	4½-4⅝dis	-1.71
Japan	251½ - 253	252 - 253	1½-1¼ypm	6.24	3½-3⅜pm	5.45
Austria	20.67 - 20.83	20.67 - 20.72½	9⅞-8½gropm	5.36	25¾-23¼pm	4.72
Switzerland	2.49½ - 2.51	2.49½ - 2.50½	1⅜-1¼cpm	6.00	3½-3¼pm	5.40
ECU	1.4210 - 1.4290	1.4220 - 1.4230	0.47-0.44cpm	3.84	1.23-1.18pm	3.39

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.64-4.59cpm. 12 Month 7.90-7.80cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct. 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9410 - 1.9530	1.9435 - 1.9445	0.97-0.95cpm	5.93	2.63-2.60pm	5.38
Ireland†	1.7620 - 1.7700	1.7690 - 1.7700	0.31-0.26cpm	1.93	1.04-0.94pm	2.24
Canada	1.1660 - 1.1710	1.1670 - 1.1680	0.41-0.44cdis	-4.37	1.27-1.32dis	-4.44

MONEY MARKETS

Sharp fall in rates

WHOLESALE RATES fell in London yesterday. Reaction to the warning of a recession from the Confederation of British Industry was for the money market to look for an immediate cut of ½ point in UK bank base rates.

The Bank of England did not cut its intervention rates in the market, but did nothing to discourage thoughts of lower interest rates by taking out virtually the entire credit shortage during yesterday's action.

UK clearing bank base lending rate 14 per cent from October 8, 1990

Three-month sterling interbank fell to $13\frac{9}{16}$-$13\frac{7}{16}$ per cent from 13¾-$13\frac{11}{16}$ and 12-month money declined to 12¾-12⅝ per cent from 12⅞-$12\frac{13}{16}$.

On Liffe short sterling futures rose sharply, to discount a reduction of 1 per cent in base rates. December delivery opened slightly higher at 86.88 and rose sharply to 87.08 ahead of the mid-day intervention on the money market by the Bank of England. The contract remained firm, touching 87.12 before closing at 87.09 against 86.85 previously.

Day-to-day credit was in very short supply on the money market. The Bank of England initially forecast a shortage of £1,300m. At noon this was revised to £1,350m, and to £1,200m in the afternoon..

Total help of £1,172m was provided. Before lunch the authorities bought £32m bills outright, by way of £6m bank bills in band 1 at 13⅞ per cent and £26m bank bills in band 2 at 13¾ per cent. In the afternoon another £645m bills were purchased, via £220m bank bills in band 1 at 13⅞ per cent and £425m bank bills in band 2 at 13¾ per cent. Late assistance of around £495m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £971m, with exchequer transactions absorbing £150m, a rise in the note circulation £100m, and bank balances below target £75m.

In Frankfurt call money fell to 7.95 from 8.00 per cent, despite a net drain of DM2.7bn from the money market at this week's securities repurchase agreement tender. The Bundesbank accepted bids of DM25bn at a two-tranche tender for 33-day and 63-day funds, at rates of 8.00-8.45 per cent, against two expiring facilities of DM27.7bn. German banks are closed today for a religious holiday, and the funds will be credited to accounts tomorrow.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.31) 3 months US dollars		6 months US Dollars	
bid $7\frac{13}{16}$	offer $8\frac{1}{16}$	bid $7\frac{13}{16}$	offer $8\frac{1}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

POUND-\$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9440	1.9344	1.9178	1.8977	1.8665

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	10	One month	7.40	Three year	7.95
Broker loan rate	9¼	Two month	7.44	Four year	8.13
Fed. funds	7⅞	Three month	7.35	Five year	8.24
Fed. funds at intervention	-	Six month	7.46	Seven year	8.52
		One year	7.46	10-year	8.67
		Two year	7.78	30-year	8.81

Oct. 31	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	8.15-8.25	8.40-8.50	8.45-8.60	8.55-8.70	9.00
Paris	9¼-9⅜	9¼-9⅜	9¼-9⅜	$9\frac{7}{16}$-$9\frac{9}{16}$	10-10⅛	9.50
Zurich	6⅞-7⅛	7⅞-8⅛	-	8-8⅛	-	-
Amsterdam	8.18-8.31	8.17-8.25	-	8.45-8.53	-	-
Tokyo	$7\frac{13}{16}$-$7\frac{15}{16}$	8-8⅛	-	8⅛-8¼	-	-
Milan	9¾-10⅛	10⅞-11	-	11⅛-11⅜	-	-
Brussels	8.75	8⅞-8⅞	-	$8\frac{13}{16}$-9⅛	-	-
Dublin	10⅛-10½	10¼-10⅜	$10\frac{3}{16}$-$10\frac{5}{16}$	10¼-10⅜	10½-10⅝	-

LONDON MONEY RATES

Oct 31	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	25	14¼	14	13⅝	13⅛	12⅞
Interbank Bid	14	14	13¾	13⅜	13	12½
Sterling CDs	-	-	$13\frac{13}{16}$	$13\frac{7}{16}$	13⅛	12¾
Local Authority Deps.	14	14	$13\frac{15}{16}$	$13\frac{9}{16}$	13¼	12⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	18	14	$13\frac{13}{16}$	13⅜	-	-
Company Deposits	-	-	14	13½	13⅛	12⅞
Finance House Deposits	-	-	13⅞	13½	13⅛	12⅝
Treasury Bills (Buy)	-	-	$13\frac{11}{16}$	13⅜	-	-
Bank Bills (Buy)	-	-	$13\frac{11}{16}$	$13\frac{7}{16}$	12½	-
Fine Trade Bills (Buy)	-	-	14⅜	$13\frac{11}{16}$	13⅛	-
Dollar CDs	-	-	7.92	7.90	7.90	8.07
SDR Linked Dep. Offer	-	-	8⅞	$9\frac{1}{16}$	$9\frac{1}{16}$	9⅛
SDR Linked Dep. Bid	-	-	8¾	$8\frac{15}{16}$	$8\frac{15}{16}$	9
ECU Linked Dep. Offer	-	-	9⅝	$9\frac{13}{16}$	10	$10\frac{1}{16}$
ECU Linked Dep. Bid	-	-	9½	$9\frac{11}{16}$	9⅞	$10\frac{1}{16}$

Treasury Bills (sell), one-month $13\frac{11}{32}$ per cent, three months $13\frac{1}{16}$ per cent; six months 12⅝ per cent. Bank Bills (sell): one-month 13⅝ per cent, three months $13\frac{1}{16}$ per cent. Treasury Bills, Average tender rate of discount 13.1273 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26,1990 to Dec 25, 1990, Scheme I: 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29,1990 to Oct 31, 1990, Scheme IV&V. 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6) Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent, six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8,1989. Deposits withdrawn for cash 5 per cent

FINANCIAL FUTURES AND OPTIONS

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
December	90.02	90.15	+0.14	90.18	89.96	9.86	17,738
March	90.05	90.16	+0.13	90.19	89.99	9.84	8,510
June	89.98	90.11	+0.13	90.15	89.95	9.89	1,399
September	90.09	90.07	+0.13	90.09	90.07	9.93	[illegible]

Estimated volume 16,033 Total Open Interest 28,019

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
October	1617.0	1636.0	+27.0	1641.0	1615.0	4,668
November	1623.0	1659.0	+45.0	1660.0	1619.0	6,733
December	1630.0	1630.0	+11.0	1636.0	1630.0	440
March	-	-	-	-	-	0

Estimated volume 10,865 Total Open Interest 11,841

LIFFE $/£ OPTIONS — £/\$ (CURRENCY) £ per £

	Latest	High	Low	Prev.
Dec	1.9330	1.9340	1.9280	1.9402
Mar	1.9060	1.9110	1.9050	1.9164
Jun	-	-	1.8900	1.8970

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unitank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKET FUNDS

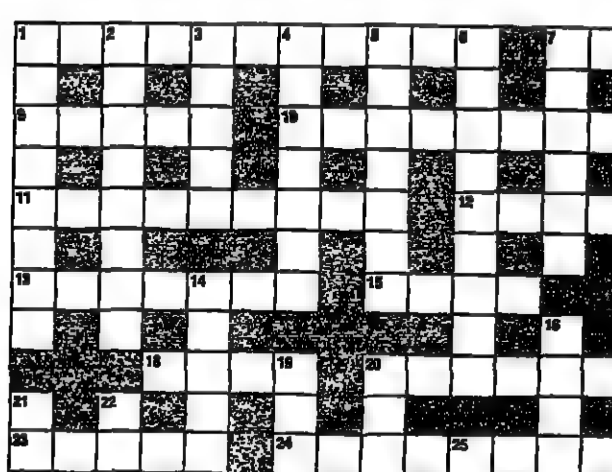
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,382 Set by HIGHLANDER



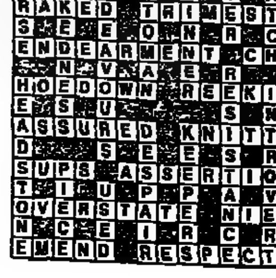
ACROSS

1 College date changed into low-cut dress (11)
7 University water wheel (3)
9 Support affected manner of walking (5)
10 Writer with sex appeal and yen for power (9)
11 Adjust hemisphere containing China tea being blended (9)
12 Cheer up: key account has come back (5)
13 Slumberwear is next to nectar (7)
15 Influence of swing and rock and roll (4)
18 Boast about making clothing (4)
20 Reach resort containing divine cheese (7)
23 States have first chance to reveal source of legendary soporific drug (5)
24 Unambitious don't move as much (9)
26 Advertising campaign for movement (9)
27 Yard covers new ground (5)
28 Interminable verse writer needs oxygen during gym session (3)
29 Hundreds sick – it's a lymphatic tissue inflammation (11)

DOWN

1 Record published containing new price reduction (8)
2 Coach bearing freight (8)
3 Language can put the French in front (5)
4 Issue put up estimated arrival time and name (7)
5 Current leading Hair performer (7)
6 Consolidation of previous individual unit cost is clear (9)
7 Cold place in Peru: 10 below at highest point (6)
8 Could edge into violence and confusion (6)
14 Trains with no one left behind in carriage (9)
16 Head off first division follower (8)
17 It's very French to approve wrongful entry (8)
19 No, it's sailor going over mainstay (7)
20 Wine is key, relative said (7)
21 Class members turned up by mistake (4-2)
22 Tried hard to fit top of roast into cooker (6)
25 Follow tour leader over fence (5)

Solution to Puzzle No.7,381



WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO
2pm prices October 31

1—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES	Oct. 30	Oct. 29	Oct. 26	Oct. 25	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2448.02	2430.20	2436.14	2484.16	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.94	88.96	89.06	89.05	93.04 (3/1)	88.44 (24/9)	—	—
Transport	825.07	827.11	837.09	851.33	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	210.95	208.38	208.69	209.82	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2462.87 (2470.30) Low 2400.50 (2407.67)

STANDARD AND POOR'S	Oct. 30	Oct. 29	Oct. 26	Oct. 25	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	304.06	301.88	304.71	310.17	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	357.63	355.45	358.50	364.84	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	18.97	18.80	19.32	20.09	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	166.08	165.24	166.71	169.51	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	288.07	288.79	291.39	292.78	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	329.83	330.80	334.36	339.74	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 26	Oct. 19	Oct. 12	year ago (approx.)
Dow Industrial Div. Yield	4.17	4.03	4.25	3.97
	Oct. 24	Oct. 17	Oct. 10	year ago (approx.)
S & P Industrial div. yield	3.42	3.59	3.56	3.12
S & P Indl. P/E ratio	14.86	14.15	14.28	12.89

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Chase Manhtn.	2,977,100	10¼	-⅛
Ford Motor	2,770,200	27⅝	-2
Boeing	2,643,400	44½	-1⅛
Philip Morris	2,339,900	46⅜	+⅞
Gen. Electric	2,262,300	52⅞	+1⅞
Southern Co.	1,902,800	26	+½
Citicorp	1,875,500	11⅞	+⅛
Sec. Pacific	1,722,200	18⅜	+⅜
IBM	1,627,700	106½	+⅞
Toys R US	1,605,300	21⅛	-⅞

TRADING ACTIVITY

† Volume (Millions)	Oct. 30	Oct. 29	Oct. 26
New York	153.450	133.980	130.190
Amex	10.622	7.565	9.477
NASDAQ	109.007	92.230	101.497
Issues Traded	1,952	1,964	1,973
Rises	663	481	369
Falls	821	1,030	1,153
Unchanged	468	453	451
New Highs	4	6	1
New Lows	206	162	141

CANADA TORONTO	Oct. 30	Oct. 29	Oct. 26	Oct. 25	1990 HIGH	1990 LOW
Metals & Minerals	2636.14	2636.71	2627.98	2689.60	3453.05 (4/1)	2588.00 (16/10)
Composite	3083.89	3083.35	3086.50	3129.85	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1645.69	1643.73	1645.30	1671.98	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 31	Oct. 30	Oct. 29	Oct. 26	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1327.2	1329.1	1344.7	1354.7	1713.7 (2/1)	1321.4 (15/10)
All Mining (1/1/80)	639.2	636.7	657.4	638.6	868.8 (5/1)	635.6 (15/10)
AUSTRIA						
Credit Aktien (30/12/84)	448.30	458.62	470.56	(c)	783.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5205.78	5198.94	5206.26	5225.92	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	345.92	345.33	346.59	346.59	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	413.2	407.0	405.3	404.8	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	428.11	429.70	428.65	432.76	564.62 (30/5)	410.16 (26/9)
CAC 40 (31/12/87)	1645.57	1613.59	1627.98	1618.98	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	622.89	624.13	628.76	632.52	832.32 (19/7)	568.69 (28/9)
Commerzbank (1/12/53)	1765.8	1770.5	1784.1	1796.0	2414.8 (3/4)	1620.7 (28/9)
DAX (30/12/87)	1433.82	1431.14	1454.49	1457.65	1966.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2990.96	3011.65	3063.53	(c)	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1306.48	1301.24	(c)	1318.76	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	568.54	563.70	562.13	569.90	763.52 (14/6)	552.69 (17/10)
JAPAN						
Nikkei (16/5/49)	25194.10	25242.40	25329.31	25005.64	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1856.12	1865.24	1876.07	1861.04	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3343.58	3344.75	3361.24	3336.34	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	491.71	497.90	504.84	500.94	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	232.5	231.4	234.2	234.4	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	170.7	169.9	171.9	172.1	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	740.41	743.87	742.22	754.47	915.13 (3/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	609.85	596.65	606.39	616.39	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	319.60	324.21	326.74	325.96	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1429.06	1396.0	1390.0	1427.0	2238.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2710.06	2703.0	2720.0	2730.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	698.16	711.49	720.89	735.01	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	232.12	232.53	235.65	236.66	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	900.4	906.2	921.3	925.2	1329.9 (5/7)	908.4 (31/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	648.5	648.1	652.1	654.2	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	(c)	3318.53	3309.05	3316.36	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	649.37	673.85	690.55	688.57	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) (u)	461.6*	461.6	466.0	467.5	571.8 (4/1)	423.1 (28/9)

**Saturday October 27: Taiwan Weighted Price: 3100.22 Korea Comp Ex. 733.05
*Calculated at 15.00 GMT.
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 31 October 1990

	Stocks Traded	Closing Prices	Change on day
Fuji Elec	9.5m	865	+17
S'tomo Metal	8.5m	509	-9
Kyosan Elec	7.6m	1,310	+80
Onoda C'ment	7.4m	706	+30
N'matsu Cnstrn	5.8m	1,330	-40
Yo'tomi Pharm	5.1m	1,800	-20
Kurabo Inds	4.9m	1,370	+130
Iwatani	4.9m	1,270	+50
Nippon Mng	4.9m	693	-9
Kigwa Iron Wks	4.7m	1,050	+50

3pm prices October 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	9½	AAR	.48	4.6	6	503	10½	10⅜	10⅜	– ⅛
9⅛	7⅝	ACM n	1.01	12.		85	8¼	8	8¼	+ ⅛
11½	9¾	ACMIn	1.26	13.		495	10	9⅞	10	
9¼	6½	ACM M	n1.01	14.		425	7⅜	7⅜	7⅜	
12⅛	10	ACMMM	1.50	13.		186	11⅞	11⅝	11⅞	+ ¼
11½	8⅝	ACM Sc	1.26	13.		895	9⅝	9½	9½	– ⅛
9⅜	7⅝	ACMSp	1.01	12.		345	8⅛	8	8⅛	+ ⅛
24⅜	15½	AL Lab	.16	.9	18	60	18	17⅞	17⅞	– ⅛
6⅛	1	AM Intl				4078	1⅛	1	1⅛	+ ⅛
74¼	39¼	ANR			14	2007	47⅜	46¼	46⅞	+ ⅞
26½	25	ANR pf	2.67	10.		1	25⅜	25⅜	25⅜	– ⅛
4	1⅝	ARX			5	113	1⅝	1⅝	1⅝	
72¾	38¼	ASA	3e	6.8		282	44¼	43⅝	44⅛	+ ½
45⅞	31¼	AbtLab	s.84	2.1	19	2380	41⅛	40⅜	40⅝	– ⅜
11⅜	4⅞	AcmeC	.40	7.3	7	41	5½	5⅜	5½	+ ⅛
9⅜	5⅜	AcmeE	.32	5.8	9	23	5½	5½	5½	– ¼
32¾	18⅞	Acuson s			18	560	24½	24	24	+ ⅛
16⅞	14⅛	AdaEx	2.08e	14.		83	15	14⅞	15	
16⅝	10	Adobe				2	10¼	10¼	10¼	– ⅛
20¼	16½	Adob pf	1.84	11.		2	16¾	16¾	16¾	+ ⅛
21⅜	19¾	Adob pf	2.40	12.		3	20	20	20	+ ⅛
11⅜	3⅝	AMD				1785	4⅛	3⅞	4	
32⅜	14	AMD pf	3	20.		29	15	14¾	15	+ 1
9¼	1⅜	Advest	.16	8.5		111	2	1⅞	1⅞	
62	28⅝	AetnLf	2.76	9.3	7	0730	30⅛	d29	29¾	– ⅝

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9½	4⅞	SL Ind	.17b	3.1	10	21	5½	5½	5½	− ⅛
30⅝	23½	SPSTec	1.28	5.5	12	9	23⅝	d23¼	23¼	− ¼
32⅞	15	SPX Cp	1	7.8	9	58	13¼	d12⅞	12⅞	− ¼
16⅝	1⅝	Saatchi	.10j			441	2⅝	2¼	2¼	
23⅞	10⅞	SabnR	1.30e	11.	8	46	11⅞	11¼	11⅝	+ ¼
11⅞	5	Safeard	.15	2.6	7	634	6¼	5⅞	5⅞	− ⅜
16¼	8⅞	SigdSc			4	16	9⅛	9	9⅛	+ ⅛
44⅞	27⅝	SaftKln	.40	1.1	25	1218	37⅝	36⅞	37⅛	+ ¼
16⅝	10¼	Safeway n				384	11¼	11	11	+ ⅛
4⅝	2¼	Safwy wt				175	2½	2⅜	2⅜	+ ⅛
6⅞	4⅛	SalvCas	1.12	24.	17	61	4⅝	4½	4⅝	+ ⅛
46¼	20½	StJoe n	.20	.7		35	28⅝	28¼	28½	+ ⅛
27⅞	22	StJoLP	1.60	6.4	10	1	25⅛	25⅛	25⅛	+ ⅛
16⅝	2	vjSalant				29	2½	2⅜	2⅜	− ⅛
55½	32¾	SallieM	.52	1.5	12	3803	35½	33⅞	35¼	+ 1⅜
27	20	Salomn	.64	2.8	11	1090	23⅛	22⅛	22⅞	+ ⅝
13⅛	10	SalmBr	1.79e	17.		248	10⅝	10⅜	10½	+ ⅛
45⅝	39	SDieGs	2.70	6.1	12	407	44	43¾	44	+ ½
9⅞	6	SJuanB	.35e	6.0	17	3485	6⅛	d 5⅞	5⅞	− ¼
29⅞	11⅞	SanR n			60	62	19⅞	19⅛	19½	− ⅜
30	19⅞	SAnRR	2.08	9.8	14	103	21⅞	21	21⅛	− ¼
9⅞	4¼	SFeEP	.80	17.		72	4⅞	4⅝	4⅝	
22⅞	15⅜	SPER	n.08e	.4		128	18¼	18⅛	18¼	+ ⅛
28	22¼	SFePP	2.60	10.	8	48	25½	25¼	25¼	− ⅛
29⅜	11⅞	SFePCp	.10e	.8		x1648	12⅛	11⅞	12	+ ¼
33⅜	24½	SaraL s	.94	3.3	16	2511	28⅝	28⅛	28⅞	+ ¼
27½	24⅝	SavE pfA2.37		9.3		11	25⅛	25	25⅛	+ ⅛
9-16	3-32	Sbdn				1211	⅛	7-64	⅛	
35⅝	30⅞	SCANA	2.62	7.4	8	476	34½	33⅞	34½	+ ⅝
50⅝	38¼	SchrPl	s1.12	2.5	18	18347	45⅝	43⅞	44	− 1½
62⅞	40⅞	Schlmb	1.20	2.2	24	3486	56¼	55	55½	− ⅛
[illegible]										

AMEX COMPOSITE PRICES

3pm prices October 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices October 31

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Weak crude oil price and firm bonds support Dow

Wall Street

EQUITIES held their ground at midsession yesterday, supported by weaker crude oil prices and a firm bond market, but were off early morning highs, *writes Our Markets Staff*.

At 1.30 pm, the Dow Jones Industrial Average was 2.48 lower at 2,445.54, after peaking at 2,465.59 on short-covering following the news that the Iraqi ambassador to the US had called for a negotiated settlement to the Gulf crisis. The ambassador also said that Iraq wanted to avoid bloodshed in the area.

Gains outpaced losses by about seven to five but volume at 92.7m was relatively subdued. On Tuesday, the Dow had closed 17.82 higher at 2,448.02 in volume of 153.4m shares.

On a more cautionary note, the Federal Reserve's Tan Book said that, since August, economic growth had slowed in most districts and declined in others, and that business confidence was waning. Retail sales, including new car sales, were sluggish or down in most of the country, and demand for commercial and industrial loans was weak across the nation, it added.

General Motors lost $¼ to $36¼ in active trading after reporting a net loss of $2.07bn in the third quarter after a profit of $517m in the year-ago period. The 1990 net loss reflected a special charge of $2.1bn after tax, related to plant closures and other restructuring costs.

Eastman Kodak added $1⅜ to $39⅞ after analysts at Smith Barney and Shearson Lehman Brothers issued positive comments on the company after it reported third quarter results at the high end of expectations.

Schering-Plough, the pharmaceutical company, fell $1⅜ to $44⅛ after the news that a group of trial lawyers was warning the public about possible health risks to patients taking the company's asthma treatment.

The food sector was weak, as stiffer competition among retailers and a growing own-label breakfast food market raised fears that brand-label manufacturers would have difficulty in passing on higher cereal costs to the consumer, resulting in downward pressure on profit margins. General Mills fell $2⅞ to $83⅞ and Kellogg's lost $3¼ to $68⅞.

Tyco Laboratories dropped a sharp $4⅝ to $39⅝ on bearish comments by Merrill Lynch.

Xoma Corp fell $⅜ to $17⅞. A Kidder Peabody analyst lowered his rating to "sell" from "weak hold" based on the results of the company's recent clinical tests of its treatment for rheumatoid arthritis.

Among the most active stocks, Alcan Aluminium fell $⅛ to $18⅜. Southern was unchanged at $26, Unisys was steady at $2⅝ and Philip Morris was up $⅛ at $47.

Canada

CONCERN OVER third quarter earnings kept Toronto stocks flat in listless trade by midsession yesterday.

The composite index fell 0.1 to 3,083.8 on volume of 10.5m shares. Declines led advances by 193 to 169. Northern Telecom gained C$⅜ to C$30⅞ in moderate volume after jumping C$⅞ on Tuesday.

The Ontario Securities Commission said yesterday that it had distributed documents proposing a transaction fee for trading on the Toronto Stock Exchange and a rise in filing charges for public companies. Stockbrokers said the transaction fee could encourage traders to conduct business in Montreal, New York or other competing exchanges.

Dublin demonstrates its volatility again

Some of Ireland's leading companies have led the retreat, writes Kieran Cooke

ACCORDING to the new FT-SE Eurotrack 100 index, Dublin is one of the smallest stock markets in Europe, with a weighting of only 1.1 per cent. But in spite of its size there is plenty of excitement: Dublin, which is an integral part of the International Stock Exchange in London, has often been among the world's more volatile markets.

After the October 1987 stock market crash, Irish shares fell by 44 per cent, compared with 33 per cent in the UK and 25 per cent in the US. Yet Dublin bounced back with more gusto than elsewhere, putting on gains of 40 per cent in 1988 and 28 per cent last year.

This year has not been good, with the minuses thick on the stock market page. Ireland is down more than 23 per cent on the year, a drop exceeded only by a few countries, including Japan.

The most spectacular individual slump has been in Xtravision, the Dublin-based video rental operation brought to the market amid considerable publicity 18 months ago. The original Xtravision placing was at Ir 48p. The shares reached just over I£1 at one stage, then there were two rights issues, one at 80p, the next at 40p.

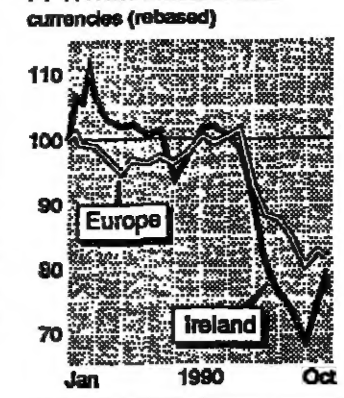
By the end of last week the shares stood at Ir 8p – a drop of 91.4 per cent since the start of the year. Xtravision expanded too fast and apparently overvalued its video stocks. The company is now restructuring in an attempt to stay afloat.

Meanwhile, the mainstays of the Dublin exchange have not been doing particularly well. Dublin is a narrow market with the top 10 companies accounting for about 80 per cent of market capitalisation. The two main banks, Allied Irish Banks (AIB) and Bank of Ireland, have both experienced steep share price declines.

Operations overseas, mainly in the UK and the US, have been hit by recessionary fears and by particular difficulties in the property sector. AIB has dropped by 30 per cent this year, while Bank of Ireland – saddled with a number of large bad debts – has retreated nearly 40 per cent.

While both banks can expect continued good profits from their home-based operations, there is concern about a slowdown in overall growth of the Irish economy. Both banks are also exposed to expected falls in farm incomes.

FT-A World Indices in local currencies (rebased)



Companies associated with Mr Tony O'Reilly, the Irish-born head of the Heinz food conglomerate, have also been going through difficult times. Independent Newspapers, Fitzwilton, and Waterford Wedgwood, all O'Reilly connected companies, are each down by more than 40 per cent. Earlier this month, Waterford announced interim overall net losses of more than I£22m, and Dublin brokers caution that shareholders are in for a long haul.

Not so long ago the Irish food sector had the brokers' blessings. But these are tough days, with Irish farming facing cuts in European Community subsidies and increasing competition for agricultural produce elsewhere in Europe.

The Irish food sector has not been helped by the events surrounding Goodman International, one of Ireland's biggest companies and Europe's leading beef processor and exporter. Goodman, a private company, is now under court protection after revealing debts of I£470m. Food Industries, the publicly quoted vehicle for many of Mr Goodman's non-meat interests, was not long ago set to take on the European agribusiness sector. It is now being sold off and its shares are currently nearly 60 per cent down on the year.

Another factor which concerns the market is the removal of some key players: Irish Distillers, now part of the French Pernod group, has gone from the exchange. It seems likely that P.J. Carroll, the cigarette company for which Rothmans has announced a bid, will soon also make its exit.

However, there are some rays of hope amid the gloom. Considerable activity will be generated once government plans to privatise the Irish Sugar group and the Irish Life insurance company hit the floor of the stock exchange – which, unlike its London parent, still operates on open outcry.

There is also a feeling among some brokers that, after the heady performances of both 1988 and 1989, Dublin stocks are now far more realistically priced, with some good bargains on offer – although the Irish economy's reaction to developments in the UK is going to be crucial to performance.

ASIA PACIFIC

Japanese investors keep Nikkei close to 25,000

Tokyo

MORNING gains were erased by a late round of selling in Tokyo yesterday as participants took short-term profits. Dealers and individual investors dipped into the market, but overall trading was very thin, *writes Martina Gannon in Tokyo*.

On continuing low volume of 425m shares, against 400m on Tuesday, the Nikkei closed at 25,194.10, down a net 48.30, against a high for the day of 25,444.92 and a low of 25,144.71. Market participants appeared determined to keep the indicator at about 25,000, brokers said.

The Topix index of all first section stocks slipped 9.12 to 1,856.12 and the second section also retreated. In London the ISE/Nikkei 50 index shed 4.69 to 1,385.37.

Declines in Tokyo outpaced gains by 508 to 457, with 137 issues unchanged.

The market was initially dominated by bargain hunting, with interest focused on individual stocks backed by attractions such as good first-half results. In early trading non-ferrous metal and machinery issues were popular. Sumitomo Metal Mining advanced Y50 to Y1,300 and Kitagawa Iron Works, one of the day's most active shares, rose Y50 to Y1,060.

Other morning risers included some chemicals and heavy industrials, although most of their gains were later eroded. Takeda Chemical closed Y30 off on balance at Y1,770 and Kanegafuchi Chemical lost Y15 to Y800.

Most sectors were weak, including motors, steels, constructions and electricals. Drug makers, which have advanced in recent trading days, posted large losses, with Dai Ichi Pharmaceutical receding Y30 to Y1,050 and Yamanouchi falling Y40 to Y2,940.

Financials were also lower. Industrial Bank of Japan fell Y80 to Y2,880 and Nomura Securities lost Y50 to Y1,720.

In the second section, SNT, a manufacturer of precision forged machine parts which is affiliated to Nissan, was one of the most active issues, but ended unchanged at Y1,800 after profit-taking. SNT, which also makes scaffolding and other construction materials, attracted interest when it raised its 1990 profit estimate.

Zexel, a maker of fuel injection pumps for diesel engines, also succumbed to profit-taking. It drew demand in early trading on news that the company would market a pump in 1993 to meet exhaust fume regulations scheduled for 1994. In the late round of selling, however, Zexel fell Y40 to Y830.

In Osaka, textiles held firm, real estates and financials retreated and most other sectors were mixed. The OSE average fell 208.72 to 29,183.29 amid reduced turnover of 33.5m shares, down from 35.7m.

Roundup

GLOOM HUNG over most regional markets yesterday, with only Manila finding any reason to rise. Taiwan was closed for a holiday.

SEOUL lost 3 per cent in its fifth fall in a row, depressed by the continuing Gulf dispute and domestic political worries. The composite index fell below the 700 level, shedding 21.33 to 690.16 in moderate trading. Turnover came to Won253.6bn, down from Won323.6bn.

A Baring Securities report showed that margin loans were rising again, with outstanding volume of Won1.16 trillion on October 27, compared with Won1.03 trillion two weeks earlier. Securities companies were forced to clear about a quarter of a targeted Won400bn worth of unpaid accounts and unsettled margin loan accounts earlier this month.

BANGKOK fell sharply on reports that President Saddam Hussein of Iraq had ordered his generals to prepare for a US-led attack. The SET index lost 24.42, or 3.6 per cent, to 649.43.

NEW ZEALAND dropped 2.2 per cent as investors steered clear of the market on corporate and economic fears. The Barclays index weakened 29.71 to 1,330.31, its lowest level since November 1984. Turnover amounted to NZ$7.2m, up from Tuesday's NZ$5.9m.

MANILA rebounded 2.2 per cent on rumours of a cabinet reshuffle and an oil discovery, with the composite index gaining 13.20 to 609.85. Turnover shrank to 76m pesos from Tuesday's heavy 1.01bn pesos, which had been boosted by a block sale.

Gulf fears weighed on a number of markets. HONG KONG weakened as turnover declined from HK$860m to HK$720m. The Hang Seng index fell 20.69 to 2,990.96. SINGAPORE's Straits Times Industrial index lost 10.88 to 1,153.95 in light turnover of S$53m, down from S$64m, and KUALA LUMPUR's composite index shed 6.19 to 491.71.

Newly quoted issues included Kay Hian James Capel in Singapore, which saw its domestic shares close at 66 cents and its foreign shares at 67.5 cents, against an offer price of 75 cents; and Parkmay Bhd in Kuala Lumpur, which rose to M$4.18 from its offer price of M$3.80.

AUSTRALIA finished above its lows on foreign buying, encouraged by the weaker local dollar and short-covering. The All Ordinaries index ended 1.9 down at 1,327.2 in trading worth A$183m, up from A$142m. Adsteam lost another 7 cents to A$1.28 and News Corp shed 16 cents to A$5.06.

BOMBAY re-opened after two days' closure, and gained ground in cautious light trading in spite of the crisis faced by Prime Minister VP Singh's government. The BSE index rose 25.75 from Friday's close to 1,295.21.

EUROPE

All Saints holiday affects bourse activity

SEVERAL bourses will be closed today for the All Saints holiday, and their activity yesterday tended to reflect this, *writes Our Markets Staff*.

PARIS was enlivened by trading before the expiry of the index options contract, which lifted turnover from FFr1.3bn to about FFr2bn and boosted several of the stocks included in the CAC 40 index. Turnover is expected to be very light tomorrow after today's holiday. The CAC 40 gained 31.98 or 2 per cent to 1,649.48.

A cut in interest rates also attracted buying. The Bank of France reduced the intervention rate from 9.5 per cent to 9.25 per cent. This lifted stocks such as Cetelem, Compagnie Bancaire's credit card subsidiary, which gained FFr35 or 8.9 per cent to FFr430; and Sovac, the banking company, up FFr25 or 5 per cent at FFr525.

Eurotunnel had another fairly volatile session, on the day after the two ends of the Channel tunnel were joined. Profit-taking left the stock 35 centimes down at FFr48.50 at the close, after a high of FFr49.20 and a low of FFr48.10. The FFr50 level was proving a barrier in the run-up to the rights issue, details of which are due to be announced soon, said an analyst.

There seemed to be a change taking place in the evaluation of the stock, she added, as the project was being regarded as slightly less of a risk, now that three quarters of the construction had been completed.

CGE rose FFr7 to FFr575 after the previous day's news that it was selling a 7 per cent stake in Framatome, the nuclear plant supplier, to the state for FFr700m, reducing CGE's holding to 44 per cent. CGE also said that it had suspended talks to buy Nife, the Swedish battery maker.

AMSTERDAM was pleasantly surprised by the chemical company DSM's better-than-expected third quarter results. The CBS Tendency index ended 0.2 up at 96.9, but below a 97.2 high at midday.

DSM closed Fl 2.90 better at Fl 84.20 – although off the day's high of Fl 84.70 as traders covered short positions – after reporting a decline of 19.4 per cent in third quarter net to Fl 188m. The market had been expecting a fall of at least 30 per cent.

Mr Jeremy Goodman at Carnegie International said investors were comforted by the fact that the dividend was not threatened. However, there had been little natural buying of DSM, he added, as the market felt that worse was yet to come in the fourth quarter and next year. Meanwhile, DSM said that it had sold its 9.7 per cent stake in Clyde Petroleum, the UK oil independent.

Fokker, the aircraft manufacturer, eased Fl 1.30 to Fl 35.70 on a report that the lower dollar was starting to squeeze its margins.

Akzo, the chemical company, fell 50 cents to Fl 73.40 and KLM, the national airline, shed 10 cents to Fl 20.10. Akzo is due to publish its third quarter results today, and KLM its fiscal second quarter figures.

Hunter Douglas rose 50 cents to Fl 62 after saying it was confident it could maintain healthy profits growth in spite of signs of a hiccup in 1990.

FRANKFURT remained mired in indecision, about the level of prices and the attractions of equity with shares at their present level. After a 2.04 decline to 622.09 in the FAZ index at midsession, the DAX closed a token 2.68 higher at 1,433.82.

Volume was DM3.8bn, the same level as on Tuesday. Banking shares showed some movement after overnight speculation on earnings prospects, the latter stemming from earlier discussion about what the stock market slump would do to Deutsche Bank's results this year.

However, the movements were inconclusive, if not illogical. As Deutsche eased slightly again to DM601, down DM44.80 over the past six working days, Dresdner Bank rose DM4.80 to DM379.80 to the amusement of UBS Phillips & Drew; the brokers said that Dresdner is more heavily involved in securities trading than Deutsche, and their forecasts take in a fall of 5 per cent in Dresdner's earnings per share this year.

Events in the auto sector also had an indeterminate effect. Volkswagen moved DM2.50 higher to DM366 after a series of falls as analysts downgraded their earnings forecasts. Brokers James Capel recommended the stock yesterday. However, Daimler also rose, by DM5 to DM588.

MILAN saw little activity as brokers packed up early before today's holiday. Tomorrow is expected to be equally quiet as many people are expected to have a long weekend. The Comit index fell 3.16 to 560.54.

Montedison and Enimont continued to recover from recent losses triggered by the latest twist in the battle for control of the chemical joint venture. Montedison rose L14 to L1,224 and Enimont added L20 to L1,240.

ZURICH saw Union Bank fall SFr60 to SFr2,700. Switzerland's largest bank reiterated that it expects lower profits in 1990 and that it might consider cutting its dividend, brokers said. The Crédit Suisse index eased 0.5 to 487.1.

STOCKHOLM fell to its lowest level since 1988 in thin volume. The Affärsvärlden General index dropped 5.8 to 900.4 in low turnover of SKr205m.

HELSINKI rose for the fifth day in succession. The Unitas all-share index gained 1.5 per cent or 6.2 to 413.2 in turnover of FM37.1m.

VIENNA declined before today's holiday, with the bourse index dropping 3.02 to 511.08, while ISTANBUL's index lost another 177.14 or 3.7 per cent to 4,570.44 as turnover fell to TL59.9bn from TL78.8bn.

SOUTH AFRICA

GOLD SHARES gained further ground in thin trading, as bullion prices went above $380. The all-gold index rose 33 to 1,429, the industrial index put on 7 to 2,710 and the all-share index rose 23 to 2,667. Vaal Reefs added R5.75 to R260.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 30 1990								MONDAY OCTOBER 29 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	123.14	−1.5	93.72	100.49	97.22	104.71	−1.3	7.36	124.98	94.85	101.44	98.54	106.05	158.31	123.14	148.97
Austria (19)	200.77	−3.5	152.61	163.65	158.50	159.34	−2.7	1.71	207.99	157.65	168.82	163.99	163.76	285.63	178.57	149.42
Belgium (61)	137.21	−0.6	104.43	111.96	108.32	106.08	+0.0	5.46	138.03	104.75	112.02	108.82	106.03	160.02	126.67	137.46
Canada (120)	123.16	−0.1	93.74	100.50	97.23	104.08	+0.1	3.82	123.31	93.59	100.08	97.21	103.93	153.61	121.24	148.63
Denmark (33)	255.11	−1.3	194.16	208.19	201.40	202.11	−0.4	1.47	258.35	196.07	209.69	203.69	203.01	277.62	234.05	211.78
Finland (25)	101.08	−0.5	76.93	82.49	79.80	76.93	+0.3	3.96	101.55	77.07	82.43	80.07	76.69	152.29	98.91	124.27
France (122)	137.68	−1.0	104.79	112.35	108.69	109.77	−0.9	3.75	139.04	105.52	112.84	109.61	110.74	168.85	124.98	132.38
Germany (91)	114.20	−0.9	86.92	93.21	90.16	90.16	−0.8	2.52	115.24	87.46	93.55	90.86	90.86	144.63	101.38	95.13
Hong Kong (48)	122.83	−1.5	93.48	100.23	96.97	122.83	−1.5	5.37	124.67	94.62	101.18	98.30	124.65	147.49	112.24	115.07
Ireland (17)	158.52	−2.3	120.65	129.36	125.14	126.51	−2.2	4.13	162.20	123.10	131.65	127.88	129.31	198.57	139.04	157.05
Italy (91)	85.47	+0.3	65.05	69.75	67.47	72.59	+0.3	3.39	85.24	64.69	69.18	67.20	72.37	109.26	80.87	87.21
Japan (454)	137.43	−1.2	104.60	112.15	108.51	112.15	−0.7	0.76	139.16	105.61	112.94	109.73	112.94	197.26	106.58	187.43
Malaysia (35)	205.26	−1.0	156.22	167.49	162.04	213.67	−0.9	2.93	207.25	157.29	168.21	163.40	215.63	250.89	182.96	192.67
Mexico (13)	550.53	+0.7	419.00	449.27	434.63	1765.44	+1.0	0.39	546.44	414.72	443.51	430.83	1747.54	561.41	324.53	301.85
Netherland (41)	132.84	−1.4	101.10	108.40	104.87	103.77	−1.3	5.16	134.70	102.23	109.33	106.20	105.13	149.03	127.56	125.58
New Zealand (16)	51.20	−1.0	38.97	41.79	40.43	44.26	−0.9	7.61	51.70	39.24	41.96	40.76	44.66	75.36	50.73	76.39
Norway (27)	236.38	−0.6	179.91	192.91	186.63	190.35	+0.2	1.62	237.73	180.42	192.95	187.44	190.08	276.79	202.34	167.13
Singapore (25)	164.52	−0.9	125.22	134.26	129.88	129.49	−0.7	3.30	165.94	125.94	134.68	130.83	130.42	209.24	147.24	155.90
South Africa (60)	162.86	+1.0	123.96	132.91	128.58	133.09	−0.1	4.21	161.23	122.37	130.86	127.12	133.25	251.39	151.50	158.03
Spain (42)	146.71	−1.8	111.66	119.73	115.82	105.86	−1.6	5.24	149.42	113.40	121.28	117.81	107.60	182.25	128.54	159.32
Sweden (27)	172.55	−1.9	131.33	140.82	136.23	144.07	−1.6	2.82	175.86	133.47	142.74	138.65	146.37	234.93	158.07	171.01
Switzerland (68)	90.10	−1.1	68.57	73.53	71.14	72.00	−0.9	2.97	91.08	69.12	73.92	71.82	72.64	109.77	85.00	86.85
United Kingdom (299)	158.81	−1.5	120.87	129.59	125.37	120.87	−1.2	5.75	161.28	122.40	130.89	127.14	122.40	176.18	139.87	138.54
USA (533)	122.43	+0.7	93.18	99.91	96.66	122.43	+0.7	4.02	121.60	92.29	98.70	95.88	121.60	148.95	119.06	138.19
Europe (963)	134.88	−1.2	102.66	110.07	106.49	104.77	−1.0	4.44	136.54	103.62	110.82	107.66	105.82	157.65	124.91	122.52
Nordic (112)	183.56	−1.4	139.71	149.80	144.92	143.37	−0.8	2.11	186.12	141.26	151.07	146.74	144.50	223.29	172.38	165.14
Pacific Basin (655)	136.09	−1.2	103.58	111.06	107.44	111.96	−0.7	1.13	137.82	104.59	111.86	108.66	112.79	192.75	107.82	183.12
Euro – Pacific (1618)	135.96	−1.2	103.48	110.94	107.33	109.73	−0.8	2.47	137.66	104.46	111.72	108.53	110.66	174.18	116.03	156.94
North America (653)	122.39	+0.6	93.15	99.89	96.64	121.24	+0.6	4.01	121.62	92.30	98.72	95.91	120.46	148.43	119.26	138.73
Europe Ex. UK (664)	119.71	−1.0	91.11	97.71	94.53	95.11	−0.8	3.50	120.91	91.76	98.15	95.35	95.88	145.62	109.94	111.74
Pacific Ex. Japan (201)	119.59	−1.4	91.02	97.61	94.43	105.81	−1.2	6.18	121.26	92.03	98.44	95.62	107.15	146.72	117.08	131.38
World Ex. US (1811)	136.03	−1.2	103.53	111.02	107.40	110.21	−0.8	2.53	137.64	104.46	111.73	108.53	111.09	173.77	117.12	158.65
World Ex. UK (2045)	127.50	−0.5	97.04	104.05	100.66	113.49	−0.2	2.68	128.09	97.21	103.97	101.00	113.73	162.00	115.37	151.48
World Ex. So. Af. (2284)	130.06	−0.6	99.00	106.16	102.70	114.06	−0.3	3.00	130.85	99.31	106.22	103.18	114.44	161.84	118.04	150.26
World Ex. Japan (1890)	127.85	−0.2	97.31	104.34	100.95	115.02	−0.1	4.27	128.12	97.23	104.00	101.03	115.15	151.59	124.31	132.65
The World Index (2344)	130.28	−0.6	99.15	106.32	102.85	114.20	−0.3	3.01	131.04	99.45	106.36	103.32	114.57	162.05	118.33	150.30

Latest prices were unavalible for this edition.